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ECONOMIC AND INDUSTRIAL AFFAIRS

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["Verbatim" report by Todor Zhivkov, general secretary of the Central Committee of the Bulgarian Communist Party and president of the State Council of the People's Republic of Bulgaria, to the national conference of party, state, economic and public functionaries in Sofia on 24 October 1981]

[Text]

*Comrades,*

This year was of signal importance to our country. First, the Twelfth Congress of the Bulgarian Communist Party was held. Second, we celebrated the 90th anniversary of the formation of the revolutionary Marxist Party in Bulgaria. And third, we solemnly marked the 13th centenary of the founding of the Bulgarian state. Quite naturally, we had many guests from many countries. We were greatly commended for the successes achieved by our country from the congress rostrum, at the celebration of the 90th anniversary, and at the 13th centennial jubilee. We are commended not only by friends, but also by foes.

Today, though, we are not at a ceremonial meeting. As Comrade Lilov already announced, the reason for our assembly is to turn back again to the decisions of the Twelfth Congress of the Party, to the decisions of the highest forum in our country's public life.

What could we say about the Twelfth Congress?



Evidently, we should confirm what was also emphasized during its sessions: the Twelfth Congress is not only a regular party congress, but also an event of historical significance for the development of the Party and the country. **We are fully justified to call it a historical congress, a summit in our party's congresses.**

Why?

Because the Twelfth Congress did not only take stock of the implementation of the decisions adopted by the Eleventh Congress. It did not only map out the main tasks for the period up to 1985, i.e. up to the Thirteenth Congress. The Twelfth Congress covered the whole decade from the endorsement of the Party Programme up till now and charted the main guidelines of our development for an entire decade ahead, i.e. up to 1990. It **spanned a period of really great scope, of historical scope.**

After a decade-long drive for materializing the Party Programme, the Twelfth Congress discussed and solved the new economic, political and ideological problems facing the Party in the further building of the base and superstructure of the mature socialist society in Bulgaria. **These problems are of principal, theoretical importance and will be strongly reflected in our overall practical work during the following period. In this way the congress enriched and made more specific the Party Programme, elaborating and extending its general policy adopted at the April 1956 Plenum.**

It is this which precisely determines the historical importance of the Twelfth Congress of our Party.

How did we approach the implementation of the congress decisions?

The Politburo decided to divide our work in two stages.

The **first stage** was aimed at informing the Party, the working class, the farm workers, the intelligentsia, all working people of the decisions of the Twelfth Congress. This stage was mainly of an **informative nature**. At the same time we launched socialist emulation for fulfilling this year's tasks.

The **second stage** starting now demands of us to turn back again to the congress decisions, to their great, I repeat, historic importance. However, our objective now is **integrally, versatily and comprehensively** to map out ways and means, practical approaches for translating the congress decisions into life, for materializing them to the full in all spheres of our development.

In this context I would like to put forth at the present conference some considerations and to draw your attention to those problems which are of the greatest, most immediate importance to social practice, to our future economic, political and ideological work.

## **I. ON MATURE SOCIALISM'S OWN MATERIAL AND TECHNICAL BASIS**

It was perfectly natural for the Twelfth Congress to give top priority to the problem of further building the material and technical basis of developed socialist society in our country. Because it is a fundamental problem, the foundation upon which all problems in the other spheres of our social development intersect.

In drawing up the Party Programme, and in our past activity for its fulfilment, we, as a Marxist-Leninist Party, just as the other Marxist-Leninist parties, have been guided by the formulations of the classics of our teaching, we have examined, studied and applied the creative experience of the Communist Party of the Soviet Union, which first achieved a breakthrough in the capitalist system and set out to build the new society. Nevertheless,

we would not be exaggerating if we say that we come across serious theoretical problems and difficulties in elucidating the question of the character of the material and technical basis of mature socialism.

Why?

Marx and Engels were contemporaries of the industrial revolution. As you know, they believed that the socialist revolution would first win in the most developed capitalist countries, that precisely this peak would be the starting point of building the new society. Experience did not confirm their prediction. The breakthrough came about in tsarist Russia, which Lenin assessed to be a moderately developed country in terms of economy. As far as Bulgaria is concerned, the material and technical basis left us by capitalism was by far on a lower level. That is why after the victory of the socialist revolution both in the Soviet Union and in Bulgaria extremely serious problems had to be tackled beforehand in the sphere of industrialization so as to reach those prerequisites and conditions which Marx and Engels envisaged at the outset of the building of the new social system.

This problem also has another essential aspect. The age Marx and Engels lived in lacked in historical experience with regard to the development of socialism as a first, relatively independent phase of communist society. That is why they viewed socialism, in the broadest, most general terms, as a transition from capitalism to communism.

As you know, historical circumstances compelled socialism to resort to military communism at the outset of its development. Lenin, though, rejected it promptly and outright. Furthermore, he brilliantly foresaw and formulated that the economy of the new society would inevitably develop over a long period on the basis of commodity-money relations, according to the law of value and the economic levers connected with it.

This brilliant forecast of Lenin's, as well as his tenet that along the road to communism we shall pass through mature socialist

society, have been confirmed in practice in the Soviet Union and the other socialist community countries. And we did the right thing at the Tenth Congress when we formulated the task of building a mature socialist society in our country on the basis of the existing material and technical, social, cadre and other conditions.

And just because we are building and will continue to build a mature socialist society, there is a key question we cannot evade — **what should its material and technical basis be?**

It is known that the masterminds of our doctrine envisaged that the new society would be built upon the achievements of the industrial revolution. Such was then the peak in the development of the productive forces. Comrades, today we live in different times, in times when the scientific and technical revolution is unfolding on a grand scale. The productive forces both in the socialist and in the advanced capitalist states are evolving at swift rates under its impact. The development of science engenders profound, revolutionary changes in machinery and technology, in the economic, political, social and cultural evolution of society. That is why it is lettered in bold in the Party Programme that **to build the material and technical basis of mature socialism means to create a basis on a par with contemporary scientific and technical progress, on a par with the scientific and technical revolution.** This is the only way to achieve labour productivity conducive to an accelerated development of the overall social system for greatly meeting the material and spiritual needs of the people on the grounds of the socialist principle that all depends on

the quantity and quality of one's labour. For us this tenet is of prime, fundamental importance.

Consequently, when we speak of building mature socialist society's own material and technical basis in Bulgaria, we have in mind that it cannot but be a material and technical basis on a par with the achievements of the scientific and technical revolution.

That is why it is, and it will continue to be the major, key problem of our development up to 1985 and in the following decade.

That is the reason why complex automation by means of introducing automated cybernetic systems in production and in the other social spheres is set forth in the decisions of the Twelfth Congress as a top priority strategic task for further building the material and technical basis of mature socialism.

The technological basis of these systems today is electronics. The term 'computer technology' is increasingly being used in some of the publications I have been reading lately. It is probably correct if we take the literal translation. I am not sure and I would not like to turn it into a controversial problem. I am convinced, though, that computer technology cannot cover, and even less exhaust the content of electronization. Because when we speak of electronization, we also bear in mind software for material production and management, the development of element production, the introduction of microcomputers and microprocessor technology. For us all this is related to the major task of intellectualization of all social activities.

Some will probably ask: are we not underestimating in this case the other trends and aspects of contemporary scientific and technical revolution? No, we are not. Biology and microbiology, genetics, complex chemization, laser technology, etc. are very, very important, and we will continue to develop them. However, the introduction of sophisticated automated cybernetic systems and complexes of control of technological processes is the foremost trend today, and it cannot but be so.

Why?

Because they embrace the control of technological processes in all spheres – both in production and in the management of national economy, and, if you will, in everyday life. They are entering science, health care, covering all sectors of our life.

That is why it is and it will continue to be a leading trend in further building the material and technical basis of mature socialism.

Did we not act in haste when we set forth this very task at the Twelfth Congress?

No, we did not. Furthermore, if we had not acted this way we would have lagged seriously behind. Because this process is also intensively developing in the other socialist countries, and particularly so in the developed western states. We should be clear on this point, too.

Do we have the necessary potentials and prerequisites to tackle the task of installing complex automated systems in the economy and other spheres? Indeed we do, comrades. We have already created a great part of them, and we can create others in a short period of time.

Let us take electronics for instance. All of you present here know that we are among the first per capita in the export of electronic products.

It is true that we do not produce everything, but specialization within the CMEA framework makes it possible for 70 per cent of the different electronic devices, machines, etc. used in Bulgaria to be of Bulgarian make. We already turn out computer equipment – large and medium-sized, minicomputers, microprocessors and so forth. This is a great, unquestionable success. Bulgaria accounts for

nearly 50 per cent of trade with electronic products between the socialist states. Or, as businessmen say, we, Bulgarians, are running things in the sphere of electronics. That is also a great achievement. It shows that the Central Committee and the government showed foresight, giving electronics the green light on time, a field in which we rank among the first today.

We have already started production and will probably soon be in the lead in another sector — the manufacture of digital-control machine tools of a new type, which can be introduced in the automated systems. We have already scored tremendous success in this sphere.

We have been producing robots for several years now. We have also achieved good results here, as well as in hydraulics and pneumatics.

Successes, however, are accompanied by many unsolved problems in the sphere of electronics in Bulgaria. We have difficulties, for instance, in the production of elements. We are on the way to surmounting them though.

However, where is our weakest link?

It is in instrument-making, in the creation of the instruments and devices needed for linking a given project, a specific working unit in the general automated system. It is clear to the experts present, that what we have in mind are sensors, measuring devices, etc. Now here we are extremely behind. We import from 200 western firms such instruments, the prototypes of which total over 2,500 in industrial chemistry alone.

You can imagine, comrades, the tremendous work that still lies ahead for introducing automated systems in instrument-making!

The situation is consequently the following — we have produced quite a lot, but there is still a lot to do, relying on integration and specialization with the fraternal socialist states.

It is imperative to consolidate the existing and to create new conditions so as to proceed now from the production of separate computers, be they big or small, of separate robots, etc., to linking them in automated systems. Work is under way in this sphere and the manufacture of such systems has been included in the plan for the eighth five-year period, its financing is guaranteed. It will give us the chance of accumulating experience, and furthermore, of developing on a broad front by the end of this and during the next five-year plan. These are paramount problems for which we should get ready, it is a key task which we should turn into a nationwide objective for the achievement of which we should above all rouse the enthusiasm of the youth.

Enormous work lies ahead in training cadres for this activity. It is necessary to start restructuring right away the higher engineering institutes for this purpose. Special programmes should be drawn up for training experts, cadres — managing as well as executive, both in the last stages of the uniform secondary schools and technicums, and within the unified system of training cadres. All efforts and potentials should be focused on these problems stemming from the very decisions of the Twelfth Congress, problems which no one should soft-pedal or dispose of quickly, so that we could also unfold this sphere on a wide front by the end of the current and in the beginning of the next five-year period.

*Comrades,*

As you know, at the Twelfth Congress we did not undervalue what we have already attained with regard to the material-production basis. And it is stupendous in terms of our dimensions and resources. It is with this basis that we shall work during this five-year period, and we shall rely on it during the



next. Consequently, there are no grounds or room for a nihilistic attitude to the existing material-production basis, and there cannot be.

That is why the second major task the Twelfth Congress set us is the complex mechanization of production on the basis of reconstruction and modernization of this basis.

The reduction of manual labour, which comes up to 48-49 per cent in industry today, should here unswervingly be a leading trend. For this purpose, beside the annual programmes, three month and monthly programmes should be drawn up in order to channel the overall modernization and reconstruction in the reduction of manual labour, especially so in places where hard working conditions exist and the production process itself is unpleasant.

The third main task set forth by the Twelfth Congress in connection with building the material and technical basis at this stage is using **front-rank experience** – Bulgarian and foreign – or what has generally been accepted as carrying out the so-called '**quiet revolution**' for which, on principle, very little capital investment is needed.

What do we have in mind?

In one and the same enterprise, in one and the same line, on a more or less equal technical and technological level, some work well, have a high productivity and low prime cost, and others greatly lag behind. There are front-rankers in every enterprise, but their skills have not yet by far become mass practice and so forth. That is exactly why it should be our immutable duty and our immutable concern to be on a par with the front-rank enterprises of our home industry, to use promptly and fully the experience of the other socialist states, the front-rank experience gathered worldwide.

This is the principal and essential goal now, these are the tasks of this five-year plan, which should find a direct and active expression in our economic and political work, so that we use efficiently what has been achieved in the sphere of the material and technical basis and at the same time stand firmly on it as a solid foundation for building mature socialism's own material and technical basis.

## II. THE MULTIPLIER APPROACH – A CHIEF MEANS OF EFFECTIVE CONCENTRATION AND SPECIALIZATION OF PRODUCTION

The next question of paramount theoretical and practical importance, not in general, but now, during this five year-plan and the following period, concerns the specialization and concentration of production.

*Comrades,*

We should understand that the process of concentration and specialization in the sphere of economy is a law-governed process. This is an objective law which no one can repeal. If we do not take its requirements into account, socialist society cannot develop successfully. This law is also in force under capitalism, but there it is of a spontaneous nature, manifesting itself in sharp social crises. In this sphere as well, socialism as a social system developing in a planned manner on scientific foundations has great advantages over capitalism.

Five years ago we were faced with the task of finding a way for rendering most fully account of this regularity, using to the utmost the possibilities opened up by the socialist system. Then we elaborated the so-called **multiplier approach**. In this case what is important is not its name but its nature. The multiplier approach, in our view, is nothing but a conscientious, scientific programming of the processes of concentration and specialization of production within the framework of the whole country with a view to increasingly concentrating social labour and at the same

time intensifying the division of labour, to achieve as a result maximum economic effectiveness. For this purpose the multiplier approach presupposes production echelons, unification and typization of production and technologies.

This is what the approach which at the time I provisionally called 'multiplier' consists of.

It should be pointed out that after 1975 we enthusiastically took up this question and there is practically no sector of material production where the respective ministries and departments did not work out complex projects on the multiplier approach. Open up your drawers and bookcases, look for these projects and find them. The question was theoretically elucidated relatively well. In practice, though, with the exception of some places here and there which constitute, we might say, paradisaic islands in the ocean of production problems, the projects were put on the shelf. In some places the experts who had elaborated them were removed, and the work went on in the old way. Well, that's the truth.

Naturally, some serious difficulties also exist. One of them consists in the fact that economic problems, and more specifically the problem of costs, have not been completely solved. The high cost of billets, components, units and assembly parts offered by the specialized enterprises are not advantageous for the consumer enterprises; this compels them to produce these elements as they turn out cheaper. On the other hand, difficulties arise from late supplies of contracted units and components. This disrupts production and for its part gives rise to a tendency for self-sufficiency, for producing all necessary units and components by the plant's own means. The 'do-it-yourself' system, which proved useful with regard to services and housekeeping, is an extremely vicious practice in the conditions of large-scale machine-building.

As you see, a significant undertaking was not brought to completion in spite of its indubitable advantages.

And could we have created a foundry echelon in Bulgaria had we not adopted this approach? We are developing machine-building, and we have come upon serious difficulties in the founding industry. We had about 250 foundries, mainly small and primitive, with hard manual labour and low productivity. We undertook to form a foundry echelon which is to be completed this year. A total of 20-22 foundries will probably remain in the country, but with them we shall solve the problem for the entire social production.

Let us take transport machine-building. Could we have resolved the problems of transport machine-building if we had not taken up this approach?

This approach was also applied in other sectors. But I repeat, these were individual cases, while the process as a whole is neither coordinated nor managed. Those who do the planning are not concerned with this problem, or only treat it among other things. It does not even concern the expert councils which approve the plans for overhauling, modernization and building of new plants. They totally ignore it. The problem, though, is of paramount importance. It is of a strategic nature.

To apply to the full the multiplier approach within the framework of the country means that there should be a catalogue for each bolt produced in Bulgaria, and that no enterprise except the respective one should have the right to produce it. The units and components should be unified and standardized, and the production lines echeloned. It is the only way to achieve big batch production in the echelons and a wide range of end products, regardless of the fact that the total quantity of end production could be small.

All this means that now we should not only turn back to the problem of the multiplier approach; we should be clearly aware that no one can be a good manager, planner, minister, etc. if he underestimates this problem in any way. Otherwise, we shall have squandering of national wealth, loss of time and low efficiency.

### III. ON THE OWNER AND MASTER OF SOCIALIST PROPERTY

*Comrades,*

I go on to the third problem of great theoretical and practical significance – that of socialist ownership of the means of production at the present stage and the tasks we should tackle in this sphere.

As you know, following the victory of socialist revolution in Bulgaria two forms of ownership of the means of production were established – state and cooperative. By nature both state and cooperative ownership are forms of socialist ownership. At the same time, however, these two forms essentially differed from one another not only in the ways of their establishment, but primarily in the degree of nationalization of the means of production. That is why in the sectors of the national economy linked with them there were differences in the remuneration of labour, in social acquisitions which were more for those engaged in the state sector.

We have always been guided by the view that the forms of socialist ownership are not frozen, they are in the process of incessant change and development. It is an objective, law-governed process. It is pointed out in the Party Programme that the development of socialist society will run in two main directions: on the one hand, both state and cooperative property will constantly develop, improve and be enriched, they will be marked by quantitative as well as by qualitative changes.

On the other hand, state and cooperative property will gradually draw closer, they will be linked by a process of mutual penetration and enrichment. As a result of this, the two forms of ownership will gradually merge in a law-governed manner into a unified all-people's ownership. Such is the tendency.

We are faced with the question: have we arrived at the stage of fusing these two forms of socialist ownership or have we not? What point has this process reached? Have they already merged or not? Experts and scientists are not at one on this point. Some believe that these two forms of ownership have already fused in a unified all-people's ownership, while others maintain that we are on the threshold of this merger. Discussions between scientists should continue, they are important and useful.

But it should be quite clear to all of us – party, state, public and economic functionaries – that in the years of socialist construction, and especially in the past decade, the development of the two forms of socialist ownership has been marked by extremely important quantitative and qualitative transformations.

The scope of state ownership has considerably expanded both in the national economy as a whole, and in the separate branches. In industry, for instance, state enterprises accounted for over 97 per cent of general production in 1980, compared with their relative share of 94 per cent ten years back. There is a strong tendency for concentration of state ownership. Bulgaria is one of the first socialist countries where powerful economic organizations have been created, having enormous potentials for specialization and cooperation of production, for pursuing a uniform scientific and technical and foreign economic policy.

Most substantial, however, are the changes

brought about in agriculture. The character of cooperative ownership has radically changed with the establishment of the agro-industrial complexes. It is true that it has not become all people's ownership in the form we find in state ownership. But it is no longer the old cooperative ownership. At the core it is an all-people's ownership with some still unsurmounted specific features. That is why we are fully justified to say that cooperative and state forms of ownership have already closely converged, that they continue to draw closer and enrich each other at a fast rate. The socialist state is the actual owner of both forms of property, authorized by the people.

What are the socio-economic attributes of this development of socialist ownership?

It has placed on the same footing the economic conditions under which the economic organizations work in industry and in agriculture. They already have the same attitude toward the plan, toward the budget and so forth. A uniform principle of forming and distributing the incomes of working people has been established. Conditions were made equal under which the working people — workers, intellectuals and farmers — avail themselves of such basic social benefits as leaves, pensions, aid and insurance in case of work accidents, motherhood, etc.

Consequently, the owner of socialist property in Bulgaria today is the state as a representative of the people and authorized by it. And masters of socialist property are the respective production collectives, the working people engaged in the economic organizations, using and taking care of this property.

Today, both in terms of the development of property — state and cooperative — and in terms of the country's general development, we are faced with the question in all its gravity — what are the rights, duties and tasks of the state as an owner and what are the rights, duties and tasks of our working class, of the farmers, of all work forces taking care of socialist property?

This question is of exceptional importance. The state is the owner on behalf and on the instructions of the people, fulfils the functions delegated it by the people. As an owner it has the obligation and right to channel socialist property in the interest of the entire people. The state is in duty bound to develop and multiply this property, to guarantee the basic balances of the country, which are indispensable for the successful development of our socialist society, and to assure the continuous rise of the material and cultural standard of the people.

Comrades, how did it all turn out, however, until recently? It turned out in practice that the state functions also covered the direct management of property. And that was a grave shortcoming which ran counter to the essence of the Leninist principle of democratic centralism in the management of socialist economy.

As you know, we have dwelt for three years on these problems, and in this context formulated a new economic approach in the management of the national economy. Two theoretical problems can be taken as its points of departure. The first concerns the state as owner and the work force as master. The second refers to the fact that socialist ownership develops on the basis of the law of value, in the presence of commodity-money relations and the economic levers connected with them — cost, profit, interest, credit, etc.

This is the crux of the matter.

Consequently, we would like now, on the one hand, to clearly differentiate the functions of the state as owner from the functions of the work forces taking care of this property. On the other hand — we should take into consideration the requirements of the law of value and the functioning of com-



commodity-money relations. Without this we cannot manage successfully and effectively the development of our economy at the present stage.

What rights does the state have? Socialist property is not group property of those who use it. It is not theirs to buy. We cannot allow any such thing. The State cannot give up one of its main functions, its right to be owner as representative of the whole people. It is the one which comes out with the state plan, ratifies legislative acts and basic economic regulations for managing socialist property. It is the right and duty of the state. The state plan is approved by the National Assembly, it is legally binding and no one can modify it.

It is quite another matter that the hundreds and thousands of indices which were approved before 'from above' and handed down to the economic organizations now have to be dropped or reduced to a minimum. We are still in the initial stage in this respect. It is, however, a firm principle that the state maps out and will continue to map out and approve the main indices.

Which are these indices? In the first place, we have the most important natural indices which guarantee the balances of the country. Second comes the profitability indice. The state cannot stay aloof of scientific and technical progress, of the scientific and technical revolution, for their impact on the development of economy is of exceptional importance to it. Third comes foreign currency. We take wide participation in the international division of labour, and that is why the question of foreign currency is of prime importance to us. There might be other specific indices in certain cases, but these are the main ones.

The state elaborates and possesses respective legislative acts and economic regulations for management, for carrying out its activity and defending its interests in this field.

From here on the work forces should be given full opportunity to be masters of socialist property, to use it with maximum effectiveness, to augment it and develop it in the interest of the state, of the people, and for their own sake.

What are in this respect the rights and duties of the economic organization, of the work force? These rights and duties are tied above all to the elaboration, adoption and implementation of the counter-plans. You know the great political, economic and ideological importance that our Party attaches to the counter-plan, and evidently it is not coincidental.

What does counter-plan mean?

Counter-plan is the extended programme of indices for the overall economic-production activity and for the social development of the work force, which guarantees the realization of the tasks approved by the state and achieves higher efficiency by tapping reserves. In practice it means a contract which specifies from where the raw materials are to be bought, how to market production at home and internationally, and so forth. It should be done by the economic organization with the direct assistance and active participation of the work force. With a view to this it is envisaged to set up respective bodies with the economic organizations — marketing and supply organizations, engineering organizations for introduction, for maintenance of the technical and technological standard of production. In this way the master will have the chance in his activity to take into consideration both the state, all-national interests, and the interests of the collective, the personal interests of each member of the work force.

Consequently, the counter-plan is an instrument of socialist economic management. It includes not only the plan and financial problems, not only the indices of production development, but also the social problems of the collectives. It covers all.

The counter-plan is open. It should be constantly modified and supplemented, to raise economic efficiency depending on the changed conditions of production. The collective, however, should know about all changes in the counter-plan; those that will be affected by it in a positive or negative way should be informed.

This is the gist of the problem. Each failure to differentiate the functions of the state as owner from the functions of those who take care of socialist property is a disaster. Today the requirement of clear differentiation between the rights and duties of the owner and of the master has not been fully met. Some district leaderships also violate the technology of planning by giving additional plans, assigning various tasks to the enterprises, which makes work even harder, etc. That is so, because we are still in the initial stage of applying the economic approach.

A case in point is the state of planning a year or two ago. I repeat again — not all is yet completed, we still need to experiment. What was, though, mass practice? The state drew up a plan. The plan mapped out everything the economic organization should do, indices were given for everything. No plant management, no collective would have a stake in unfolding self-initiatives, as in the final count payment, evaluation and everything else depends on the plan transmitted. And is it possible at all, as one produces, another buys, still others sell production on the home or work market, and so forth.

We should evidently mend this state of affairs. It is a violation of the Leninist principle of democratic centralism.

The next problem is that of commodity-money relations. Commodity money relations exist in the overall reproduction process at the present stage of our development. At the present stage there is not and there cannot be

another mechanism of development. You buy raw material, and you pay for it; you produce goods, and you pay the workers; after that these goods are marketed and so forth.

What lies at the core?

At the core lies cost-accounting and self-support of the socialist economic organizations. It is not coincidental that this principle is the cornerstone of the new economic approach and its mechanism.

At the core lies remuneration according to the quantity and quality of the work done, while the wages turn into a resultant quantity, into a remainder. It means that the net income realized by the economic organization, in the plant and in the team is determined first. From that what is due to the state is deduced: the outlays needed for the reproduction process, for increasing production capacities, are set aside; and the remainder is distributed according to the quantity and quality of the work done.

Only such a cost-accounting structure could assure that the economic interests of the economic organizations and work forces are correctly combined with the interests of the state. Only thus can we achieve complete unity between the economic rights of the master and his economic responsibilities for effective use of the socialist property entrusted him. Because, you cannot have the rights to use property which belongs to all the people without being responsible for the economic results of your activities. On the other hand, the active economic interest of the work force can only be realized by linking the size of wages to the end economic results obtained.

This is all there is to it, and it should be known not only by us who are present here. It should be known by the millions of people in our country because it is not only of economic, but also of tremendous ideological and educational significance.

A great deal of work lies ahead for applying cost-accounting inside each separate enterprise. Only through consistent application of self-accounting can the individual interests and economic responsibility of each worker, of each expert and leader be at one with the general interests and economic responsibility of the entire collective of the enterprise.

In this connection we are faced with the extremely important task of building team organization of labour. A team organization of a new type, founded entirely on the economic approach with consistent introduction of cost-accounting. Cost-accounting should be applied both to the economic organization as a whole, and to each team; it should concern even the poorest worker, the millions of workers in our country. That is why the setting up of teams of a new type and applying cost-accounting to them should be in the focus of attention of economic managements, of party committees and local party organizations. It should be realized that it is not only an economic but also a very important political task which should be solved no later than this year and the next. The efforts of the trade unions, Komsomol organizations, the best experts and front-rankers in production should be actively pooled in this activity. Only thus can we count on success.

In this connection we come to the question of profit. Profit, profit and profit again. Some will say: the capitalists are striving for the same thing. It is the motto of corporations, of economic organizations in the capitalist countries. Yes, they are striving toward the same thing. But there is here a 'little' difference. In a talk with a western politician we touched upon the question of profit, and I told him: yes, both you and we wish to obtain a greater profit. But in your country the lion's share goes into the corporations, it is seized by the monopolists, by the bourgeoisie. In our country profit is used for extending production, for increasing social funds, for

raising real wages, and so forth. Here, I said, lies this 'little' difference.

We should uphold profit as an important criterion for the work of each economic organization, of each work force. What profit, though, do we have in mind? There is profit obtained through underhand dealings and other speculative ways. No, we do not need such profit! Profit should be the result of economy of labour, economy of raw materials, fuel and prime material, of better use of technology. Any other form of obtaining profit is to the detriment of the working people, of society and it should be prosecuted according to the law as a crime, and the matter brought to court.

How do things stand with regard to profit from export? It should be the result of both the good quality and profitability of the exported goods, and the ability to trade and market well.

*Comrades,*

The principle of the property and the master gives rise to many other questions which were put forth by the Twelfth Party Congress. Some of them concern the development of socialist democratism in the economy.

What is the crux of the problem?

We should all know the elementary truth that you cannot manage the economy successfully without the active participation of the millions of working people. The new economic approach and its mechanism now being formed should be a solid basis for the flourishing of socialist democracy in Bulgaria.

This means above all raising the role, rights and responsibilities of the collective

bodies of economic organizations and enterprises, so that they become really elective bodies, representatives and exponents of the interests of the working forces.

We have economic committees. We also have economic councils. Let's take these two forms of collective management. How are they built up now? The director, deputy directors, chief accountant, party secretary, president of the trade union, Komsomol secretary, etc. now have the right to be included in them without being elected. In one word — all leading comrades. And what about the rank-and-file workers? What about the best and most reputed experts? One or two places may or may not be set aside for them! That is not proper, and we should set the matter straight.

In future, only the director of the respective enterprise or economic organization should have the right to be in the collective bodies of management. He is a representative of the state and enters their composition by right. All other members should be elected, while more workers should be nominated front-rankers in production, as well as the finest experts enjoying unquestionable prestige and the respect of their work forces. As far as leading cadres not elected are concerned, they can always participate in case of need in the meetings of the collective bodies with the right to a deliberative vote.

The chairmen of the economic committees and of the economic councils should also be elected.

The higher ranking bodies, as well as the individual workers should know and respect the decisions of the collective bodies, because they are the exponents of the opinions, interests and positions of the work force.

The correct thing would be for the government to regulate the rights and responsibilities of the economic committees and of the economic councils, while extending the

competencies of these bodies in the management of the economic-production activity. They should be clear on the questions which they have the right to solve independently, and the questions about which the manager of the organization or the higher ranking bodies should compulsorily take their opinion.

In this way a broad basis should be created for democracy in economic management, a democracy founded on the principle of protecting state interests, the interests of the collective. Such a democracy does not and cannot run counter to the principle of individual authority.

The participation of the working people in the elaboration and adoption of the counter-plan is one of the main trends of intensifying democratism in the management of economy. Unfortunately, in many places it turns out differently in practice. And the counter-plan cannot be worked out without the collective. No one should respect a counter-plan drawn up without the collective, and serious thought should be given to those managements which work out their plans by themselves. Naturally, the current practice of setting short terms for drawing up the counter-plan should be decisively mended, as no enterprise would be able to secure the participation of the workers in preparing it.

The counter-plan is not only an instrument of management, it is also a document which directly concerns the interests of every worker. That is why the worker has a great moral and material stake in its correct elaboration and overall realization. In this way, the economic approach promotes the development and consolidation of individual and collective social awareness, the attachment of the worker to socialist property as if it were his own. And that, as you realize yourselves, is of enormous economic, political and educative importance.



Naturally, I am not referring to all aspects of democratism in economic management and particularly the development of the economic foundations of democratism of the teams of the new type. But that is the gist of it. We should create conditions and prerequisites conducive to widely unfolding socialist democracy in the economy on the basis of the theoretical principles I gave in a nutshell.

The question of fighting against the improper use and waste of socialist property is directly related to the care taken of it.

A few months ago I attended a meeting of officials of the Ministry of Internal Affairs. The tasks of the ministry were discussed in the light of the decisions of the Twelfth Party Congress. Comrade Dimitar Stoyanov, the Minister, was the speaker. I should note that the questions were well put, but that is not the point now. One of the functions of the bodies of the ministry – the protection of socialist property, was also examined at this meeting. Some participants talked about the increased number of thefts, how many of them had been discovered and so on. In my statement, I put forth the question: if we counted only on you, on state control and the legal bodies, then what an apparatus would be needed to protect this property? Maybe we should increase the apparatus several-fold, but that would not solve the problem either.

What is the main thing, comrades?

The main thing is to provide such conditions and prerequisites which would get the masters of socialist property interested in its management, and in the drive against its squandering. This is the main and decisive thing. The millions of people should protect socialist property.

Naturally, it does not mean that the people entrusted with special functions for protecting socialist property should cut down their duties. Nothing of the sort. Their rights

and duties should increase. There is evidence that the legal bodies sometimes approach these problems quite liberally. Besides economic and punitive measures, though, socialist property should also be protected by means of instruction. The working people should be shown that this property is theirs through specific and convincing examples taken from the life of their enterprises, calculations should be made of what each one of them loses when it is not used effectively, when it is robbed and squandered. This is the only way to increase and strengthen their conviction to be its real masters.

A few words about personal property, connected with the auxiliary farms, the communal services and retail trade.

As the Twelfth Congress pointed out, at this stage of our development personal ownership of small means of production is necessary and should be regarded as a continuation of public property. It is indispensable for the countryside, and for the other sectors where the state cannot cope with all services.

Wide use should be made here of personal initiative, the necessary conditions should be created for organizing and employing pensioners, students and working people in other spheres. It is also imperative to give workers and experts the opportunity to work in their spare time in the specialized enterprises for small productions and services.

And is it not possible to distribute land for cultivation, for additional output of farm produce among the workers of industrial enterprises, among other strata of the urban population?

Evidently, we should do away with any kind of sectarian approach to these problems. In our country this personal property functions in the conditions of socialist economy. In Bulgaria there is a powerful state property which is decisive, big trade organizations

have been set up which are increasingly being extended. Under these conditions the encouragement of personal property cannot pose a threat to socialism. On the contrary, it can be and it should be an additional source of incomes, an important factor for the production of more goods and services for the people.

*Comrades,*

In view of this whole formulation of property and taking care of it, we should also solve in another light the question of the character of the activity of the ministries, of their rights and duties. As you know, we proceeded to merge some ministries. But there is something more important. Let us take, for instance, the Ministry of Machine-building and Electronics. It should not interfere in the management problems of the economic organizations within its framework. It is a state body and called upon to defend the state plan. However, it is not the ministry's business to supervise all that the given organization may produce outside the plan, or whether it associates with other organizations. If a given organization has a stake in associating with other organizations, let it associate. That is its own affair. But it is obliged to fulfil the indices of the state plan. And the ministry is responsible for that. It participates in the elaboration of statutory acts, of economic quotas, necessary for the protection of state, of all-people's interests, for stepping up scientific and technical progress, and renders assistance to the economic organizations in drawing up and implementing the counter-plans.

Interrelations between ministries and economic organizations should be completely brought into line with the requirements of the new economic mechanism. It is necessary to decisively uproot excessive regulation and tutelage of the activity of subordinate orga-

nizations, red tape, sluggishness and lowered responsibility in the fulfilment of the decisions taken.

Why isn't the new economic mechanism fully in force today? First, because the economic organizations and enterprises have not been entrusted with trade activity. Elaboration of this problem is under way, and it will be solved in the near future. Second, we have not yet solved the problem of manufacturing cost. There is talk about a rise in the prices of consumer goods. There is absolutely no truth in it. It is a question of modifying manufacturing costs. We fixed new prices only for farm products. As far as industry is concerned, manufacturing costs have not yet been determined. Work is also under way on this problem, but now we should synchronize things, see how this mechanism will function in the team, how it will function in the plant, how it will function in the economic organization, in the entire reproduction process. All this will be at hand in the near future, so that by January 1, 1982 we shall be able to act fully in accordance with the new economic mechanism.

I would like to note now that weak points will appear in a number of cases. In such a complex field not everything can be worked out and envisaged with mathematical precision. But this raises all the more the responsibility of the leaders of economic organizations, of plants, of industrial collectives, in applying the new economic approach to the full. Weaknesses should be overcome, the problems arising should be solved, the new economic approach should be linked to the drawing up of the counter-plans, to the remuneration of labour and so forth.

All these are complex problems. We do not presume that they will be thoroughly solved in a year. But we are on the right track and we should make a concerted effort to ap-

ply consistently and completely the new economic approach in the next two or three years.

#### IV. ON THE PROBLEMS OF THE STANDARD OF LIVING

The other theoretical and practical problem, set forth by the Twelfth Congress, concerns the more comprehensive satisfaction of the material, spiritual and social needs of the people.

The care for man, as we all know, has always been and will continue to be the major concern of our Party, of our socialist system. That is why the problem about the satisfaction of the material, spiritual and social needs of man occupies a central place in both the Report of the Central Committee and the decisions, adopted by the Twelfth Congress. The main social and economic task of our development during the Eight Five-year Plan and up to 1990 is also subordinated to this end.

Which is the new aspect defined by the Twelfth Congress of our Party?

It is, above all, the new attitude to the solution of the problems of the living standard.

In speaking about the raising of the living standard, we now have in mind the comprehensive satisfaction of the material, cultural and social needs of our people in accordance with the growth of its purchasing power.

In speaking about the living standard, about the comprehensive satisfaction of needs, we must always view their correspondence to the level of purchasing power of the working people, the satisfaction of that very level.

Will the purchasing power of working people in this country grow? Yes, it will. It cannot but grow. The opposite would mean that we do not take into account the objective regularities of our development, that our striving for a higher national income and for higher labour productivity is just an aim in itself, torn apart from reality. This would

mean that we are only marking time. Therefore, the consumer goods, services, spiritual wealth and everything else should correspond to the purchasing power of the population. We should, by all means, provide consumer goods, services, etc. necessary for meeting both the present purchasing capacity of the people, and that which is to be attained by the end of the five-year period. This is the very core of the problem about raising the living standards of our people.

The salary, as the Twelfth Congress specially emphasized, will remain the main source of income increase and of raising the purchasing power of the people. Its significance increases further under the conditions of the application of the new economic approach and its mechanism. It is now becoming ever more dependent on the quantity and quality of the work performed by each individual.

To this end, the Congress introduced certain new ideas concerning the growth and the way of utilizing the social consumption funds. They will continue to grow in absolute terms and during the eighth five-year period will increase by approximately 9,000 million leva. This is not an insignificant growth, it is an enormous one. The social funds will continue to be an important source of real income increase. However, they will no longer be allowed to grow faster than the national income, so that the stimulating role of the salary would not be undercut. A course is also being adopted for the decisive improvement of the economic and social effectiveness of their utilization. Preference is given to those working people, whose labour is of a better quality. Priority is given to those needs, which are most topical and socially signifi-

cant. Therefore, during the current five-year plan, conditions have again been provided for the growth of both the nominal salary according to the quantity and quality of labour and the real salary which is also formed through the social consumption funds.

Thus, by raising and accordingly satisfying the purchasing power of the working people, we shall be able to guarantee the further raising of the people's living standard.

Is this a consumerist attitude?

Certainly, not!

The consumerist attitude is at hand when there is consumption without production, taking without giving, when the socialist principle of distribution according to the quantity and quality of the work done has been violated.

Our task now is to ensure a balance between the ever growing purchasing power of the population and the supply of an adequate quantity, of high quality and variety goods and services.

We cannot accept the explanation that it is difficult to supply the things people need, because of some unfavourable weather conditions, or all sorts of other shortcomings and difficulties, or because of international tension. For certain things there will be exceptions. As is the case with cars, for example. We simply cannot import as many cars as are wanted. It is inadmissible, however, to fail to supply the goods man needs in his everyday life.

We can definitely state that we are to make a correction in the plan for the eighth five-year period since we are not going to get the agreed quantity of liquid fuel. This is also the case with some other power and raw material deliveries.

The People's Republic of Bulgaria, like the other countries of the socialist community, has been forced to put aside additional funds for the country's defence. This is being prompted not by our desire. It is the result of the complicated international set-up.

Nevertheless, we shall do everything possible so that the standards of living of our people will not drop and so that the social policy of the Party outlined by the Twelfth Congress will be fully realized.

As you know, it was almost ten years ago that the Central Committee approved the December Programme for raising the people's living standards. However, it is not a programme for only one or two five-year periods. It is a long-term programme covering the entire stage of the building of the developed socialist society. This calls for its constant updating, for setting it in conformity with the changes in the economic conditions and the needs of the people.

The tasks, set forth by the Rouse Conference of 1980, which were later complemented by the decisions of the Twelfth Congress, must now be in the centre of our attention. We must guarantee the production of as many goods as the level of the purchasing power of the population requires.

A comprehensive programme for the construction of new enterprises for the food industry and for the production of consumer goods is currently in progress in this country. This year 50 small enterprises for consumer goods are to come into operation and another 60 are due to open next year. Their construction and timely exploitation should be constantly supervised by the people's representatives and local councillors.

For this purpose, our plan provides the prerequisites for the comprehensive satisfaction of the needs of the population with high quality goods, goods of greater consumer value and durability. The necessary funds have been planned for the purpose.

This, however, does not exhaust the problem. We have to launch an enormous initiative



going beyond the plan, stirring into action the social functions of all the economic organizations and settlement systems. Not a single organization in socialist Bulgaria should be indifferent to the social functions which it must perform within the range of its capacities.

Let us take the industrial enterprises, for example. Each enterprise or plant should have an auxiliary farm in addition to its basic activity. It must be provided with land to produce farm products so as to improve its canteen supplies and make food cheaper. It should also have an auxiliary workshop for the manufacture of consumer goods, but not of the kind of rubbish that is now being produced in many workshops which leads to a waste of materials. This kind of consumer goods production should be competitive. The big plants should have their own food stores, while the small enterprises should pool their resources and open their own stores. The enterprises should also have workshops for communal services. In the future no plant or a group of small enterprises should be left without a store or communal services workshops. This does not mean that these stores will offer goods at lower prices. They will sell at regular market prices but will make it easier for people to shop locally, thus saving time.

Let us take, for example, the tremendous contribution of the settlement systems in the solution of these tasks. For several years now, we have been talking about the self-sufficiency of the residents of the settlement systems with meat, milk, fruits and vegetables, eggs and fish. The achievements are quite impressive but the problems have not yet been fully resolved. This can no longer be tolerated. The district and municipal authorities should realize that next year they will no longer get additional quotas of meat, milk, fruits and vegetables from the centralized funds, except the already fixed ones.

Naturally, every settlement system cannot and need not build a plant for TV sets or a foundry. However, each settlement system should have a well developed network of services for the population.

To achieve all this in an organized way, each settlement system should be granted a wide range of prerogatives. It should have the right to conclude agreements with the enterprises on its territory and with other settlement systems. This means that the settlement systems should be rich, should have the means, capacities and funds to develop all kinds of activities necessary for the population.

What is the present situation? So far we have failed to prepare the statute of the settlement system. It is common practice to follow the easiest way: give us this and give us that ... and let the state be the provider. From now on each settlement system will have to apply the principle of self-support. It may use as a source of income the profits of its enterprises and establishments, the deductions from the enterprises on its territory and from the agro-industrial complexes, etc. This calls for raising the effectiveness of production. This is the starting point. Wealth is not a godsend. This is absolutely out of the question. It is true that the state can help and will help. Assistance will be rendered only to individual settlement systems whose means are insufficient even after they have made all the efforts to develop their own resources. Therefore, the settlement systems should be given 'a free hand' so as to develop greater self-initiative and creativity. The executive committees of the district people's councils continue to hold sessions, draw up programmes and do everything else, but if the settlement system does not get consolidated all these activities will be immaterial. This is the enormous significance that the settlement systems are now acquiring in the drive to improve supplies

decisively and meet the material and cultural needs of the population.

Comrades, we must and we shall resolve the problem of industrial and agricultural consumer goods. We have the possibilities and we will do it. There is, however, yet another problem which is also acquiring an exceptional significance and this is the problem concerning the services. In this respect we have fallen behind. I am not going to make any comparisons with other advanced countries but it is a fact that we have fallen behind.

We must no longer put up with that. The services are acquiring a decisive significance for the biological development of man, for sustaining his vitality, his working capacities, for promoting his social and cultural development and so on and so forth. The services are extremely important in spheres such as recreation, everyday life and the cultural development of the working people. Presently, about 30-35 per cent of those employed in the national economy are working in the sphere of the services. In the future 50-60 per cent of the labour force will be employed in the services. There is nothing to fear if we are to slow down the development of some other sectors in order to concentrate our efforts here, because in this way we shall be able to create better conditions for life and work.

I have tackled the problem of services at the Roussé Conference, in the Letter to the Sofia City Party Committee and the Sofia People's Council, in the Memorandum to the Politburo of October 14, 1980. The services include a very wide range of activities. Therefore, I would like to refer to just some of them.

I shall start with the health services. We can take pride in the great successes scored by our socialist health services. It was correctly pointed out that we rank among the first countries in the world as regards the number of doctors and nurses per 1000 persons. It is a fact that every year doctors make over 60

million medical examinations. We probably have other achievements in this respect. However, if we are to examine things more closely and weigh the end results of the medical services as regards the improvement of health, the lengthening of life expectancy, etc., we shall see that there are still a number of serious shortcomings in the medical services and that we can aim much higher in this field. Work on the medical front should be decisively improved in order to solve the problems which concern millions of people. These are the problems of prevention, diagnosis, treatment and rehabilitation, the standard of the medical services, etc.

Our public health services have got the necessary potential and can and must resolve this problem.

The protection of the health of the people, the vitality of the nation, however, is not and cannot be the concern of the medical establishments and bodies alone. It should become the cause of the entire nation, of every citizen who should take care of his own and his relatives' health. The problems of health should be in the centre of attention of the production teams, the departments and research institutes, of the public organizations.

The next problem concerns transport services for the population. They are among the most necessary and commonly used services. The transport services, too, deserve praise. After all, today everything in Bulgaria moves on wheels. No one goes on foot except when out hiking. Even then we use cars and buses.

Nevertheless, here again we should examine things in reverse order so as to see what the results are. In that case the picture will be somewhat different. The transport system in the large towns, not to mention Sofia is not in a good state. It will take you

more than an hour to cross Sofia from one end to the other.

Still less encouraging is the state of inter-urban transport and there are over 700,000 commuters in the country. Considering the present state of transport services a commuter will need 2 to 3 hours to get to work and return home.

Things are further complicated by the fact that very often transport vehicles disrupt the time schedules. The average delay of buses varies from 15 to 40 minutes and of trains – from 40 to 50 minutes.

Apart from that, there are nearly 140 settlement systems and over a thousand communities where the transport services are inadequate. Many of the vehicles are worn out, not to mention their hygiene inside, and the standard of services, etc.

Here is one vital problem of our people that cannot be resolved by simply holding meetings and conferences or relying on the efforts of the top officials at the Ministry of Transport. What we need is a precise picture of the situation so that we would know what exactly should be done and where. It is imperative to use most reasonably the capital investments planned for the five-year period in order to improve decisively this sector.

Another group of important services, necessary for the life and work of man, are the administrative and legal services. They involve hundreds of services performed by the municipal councils, the municipalities, the district people's councils, the central departments and public organizations. These services satisfy a whole complex of social needs, concerning the civil, family and property status of the people.

Here again we have to start with the shortcomings. We have scored successes, and a lot has been said about them. It is true, however, that people waste not only hours, but days

and months in seeking and receiving administrative-legal services, especially from the judicial organs, the people's councils and the financial institutions.

In 1980 alone the central and local bodies of public administration and the mass media have received more than 230,000 complaints and warnings concerning disorders in various administrative and legal offices.

Not to speak of the time that is wasted in connection with the thousands of suits and claims, set up by the judicial organs.

It may sound rather far-fetched, but our courts and the whole judicial system are far from performing their basic function properly – to strengthen our socialist order. The judicial institutions should be centres for the education of people, instead of inflicting upon them moral traumas every day. It would probably be more feasible to transfer some of their functions to the settlement systems. Why should some cases drag on for years even though they are rather obvious and clear and could be settled quickly? What kind of society have we when anyone who has committed even the most insignificant crime, necessarily has to be brought to trial? Where is our humanism, our morality, our new outlook?

A few words on the housing problem. We obviously cannot resolve this problem if we rely on the building organizations alone. They should deal with the general construction work only, while the manual finishing work should be done by the new residents with the help of their friends, relatives and neighbours. This is the way to save time, nerves and materials, since the interior of the flats often does not suit the taste of the residents and they begin transformations upon entering the houses. The Komsomol is to play an important role in this respect since most of the residents are young people. The Government must pass the necessary bill for this as soon as possible and put an end to past practice. This

is the only way to resolve the housing problem. Otherwise it shall drag on for years in spite of sufficient outlays for it.

We shall continue to devote special care to pensioning. The Party Central Committee and the Council of Ministers have already adopted a decision for considerably raising certain categories of pensions of co-operated farmers, covering about 400,000 pensioners. As you see, we have made the first big step in this respect only six months after the congress. We have a distinct position – the pensions must be periodically up-dated and brought in conformity with the changes that take place in the income of the able-bodied population.

We are now working hard on certain other issues of social policy, such as raising compensation for temporary disablement, handing over an ever growing share of material support of the coming generation to society, introducing additional incentives for raising the birth rate, etc. We should carefully consider these issues and tackle them.

One thing is clear – the quicker we create the necessary economic prerequisites, the quicker the national income grows, the sooner we shall accomplish these and other undertakings concerning the living standard of the people.

#### *Comrades,*

The Twelfth Congress also attached great importance to the radical improvement of the political system in our country, as well as in this context to the further development of socialist democracy. We cannot solve this problem successfully if we do not comprehend the idea set forth in the congress documents in the proper way. This idea implies something new, essentially different from the present situation. I already spoke on one of the aspects of socialist democracy which is of exceptional importance – the economic aspect. It does not, however, cover the whole problem. We are developing representative

democracy. It is evident, however, that we should now seek decisive forms for developing direct democracy above all, for ever more actively enlisting the people's masses in the solution of fundamental problems of management, of cardinal and everyday affairs of the state and society. We should seek the proper approaches, and create forms for the broader application of the public-state and state-public principle in the various spheres of management.

What we need in general, is to attain a new upsurge of socialist democracy that will lend a new impetus to the socio-political, labour and production initiative of millions of Bulgarian people, and assure their active participation in the discussion and solution of problems arising at their place of work and residence.

It is necessary, for example, to resolve consistently and completely the tasks set forth by the Twelfth Congress, concerning the material strengthening of the local bodies of the state-political and economic structure. Special attention must be paid to the municipalities. Their role and strength must be raised. As I have already pointed out, our municipalities must have the rights, financial resources, materials, allocations, etc., that is everything – they need to launch a wide economic and other initiative. We should pave the way for co-operation between municipalities, between their leaderships and the managements of the enterprises. Joint programmes should be drawn up for the solution of local problems, for enlisting the population in their fulfilment, etc.

What we need now are strong and wealthy municipalities, carrying out diverse activities for the well-being of the people, for the benefit of the entire nation.



The fulfilment of the decision of the congress to raise the role of the people's representatives is of special importance. Every citizen must be aware of the fact that he has a representative in Parliament and may turn to him for protection and support. The leadership of the National Assembly should prepare and submit for approval a special decision to further clarify and solve this problem. We can even now undertake certain steps for improving ties between the people's representative and his contingency.

Radical steps of the kind should also be taken for raising the role of the people's councillor in the solution of basic problems and tasks of the people's councils, for the establishment of proper relations between the working people and the local state bodies. Wrong are the methods of work which allow the apparatus of the people's councils to take over some of the prerogatives and functions of the people's councillors. Such methods should be done away with.

Let us consider yet another issue we have been discussing for many years now, i.e., applying the principle of competition in appointing people in production and management. It should be introduced at all costs. The Party will continue, of course, to elaborate and direct the personnel policy in our country. This is the way to guarantee the correct development and consolidation of our system. However, comrades, the policy and duties of the Party concerning the personnel issue is only one side of it, and providing concrete practical conditions for the realization of this policy, for ever fuller and effective manifestation of the abilities of people in Bulgaria quite another. Such people must be promoted.

We should continue work on these and other issues set forth by the Twelfth Congress along this line. We should approach the entire political superstructure in a new way,

with new criteria. This will promote and lend fresh impetus to strengthening of Party ties with the millions of working people in our country.

## V. LET US BREAK THROUGH THE VICIOUS CIRCLES IN OUR DEVELOPMENT

*Comrades,*

The Twelfth Congress analyzed comprehensively our socio-economic development.

It turned out that on a number of indices, such as the development of the material-technical and production basis, the growth of the national income and labour productivity, we had created yet another Bulgaria in only one decade. This is great success and we were justified to speak of it at the congress.

I would like to inform you that this year our plans are successfully being fulfilled on all quality indices. But I repeat, this fact should by no means make us complacent and slack. Some people may think it sufficient to applaud the decisions of the Twelfth Congress, to cause a stir around them - and stop at that. Naturally, something might be done here and there. And then - we should, in their view, go on in the old way.

Such comrades are deeply mistaken! Not in a single plant, not in a single agro-industrial complex or economic organization, nowhere must we tolerate such a formal attitude to the decisions of the Congress. What we need is to tap to the full existing capacities and resources, to thoroughly restructure our activity in tune with the decisions and requirements of the congress. And this signifies to work out an all-out, serious scientific approach, substantiated both organizationally and politically, to pose and resolve problems

with a view to the world level of development of productive forces, of machinery and technology, of world achievements in the various spheres.

I should like to be properly understood. What we have in mind are not administrative steps, much less tightening of the belts. On the contrary! We want to create better prerequisites and more rational conditions for the construction of developed socialism in our homeland.

We cannot achieve this, however, unless we realize that we have been moving in several vicious circles. Everything I said up to now must lead to breaking through these very vicious circles at any cost.

What are these vicious circles?

The first vicious circle concerns the fact that the extensive mode of development and functioning of our economy still continues regardless of the successes. Capital return has not improved; on the contrary, it is decreasing. In our national economy 47 leva national income were obtained in 1971 per 100 leva fixed capital, while in 1979 we had only 38 leva. This is the real situation!

Can we reconcile ourselves to this and continue going round this vicious circle? On no account. We keep on extending and blowing up construction of production capacities, leaving effectiveness aside. Until when, may I ask? There are 400 buildings in Bulgaria fit for production purposes, but they remain empty. At the same time the plants work in one shift or one shift and a half except where we have a continuous technological process.

Or, let us take light industry, for example. There are clever, well trained people working there. They know how to ground and defend their positions. They keep on asking for more capital investments. We give them more, while from a technological point of view we continue to be on an average or above average level in many sectors of light industry. On the other

hand, the local industry has quite good enterprises, and if we make minimal capital investments there, and provide the necessary raw materials, we can secure an additional output of about 500 million leva. However, the local industry is still ignored in our country. That is why the Ministry for Light Industry has turned into a body striving to produce all consumer goods. It is a case in point, but such an approach is far from characteristic of the activity of this department alone.

It is necessary from now on to observe strictly a golden rule: no capital investment should be given for any extension, unless the already established production funds are utilized most rationally. Absolutely no capital investments! This is the only way out of this vicious circle. And if there still exist certain managers who ask for more capital investments for extending production, while using ineffectively what has already been created, then it is high time to investigate their personal qualities, why they enjoy the support of the work force and of the Party. Naturally, we should continue to lavish care and attention on our economic functionaries. The sector they are working in is a very difficult one, especially if they are "tied hand and foot" for above. But the situation is changing now, they are given the opportunity for broad initiative and independence, and that is the reason why there should be no lenience or pardon when national wealth is squandered.

We should reduce capital investments during the present five-year period. I have already mentioned the international causes and internal factors. In spite of this, we should use the rest of the capital investments in a way that will enable us to prevent the reduction of the national income and of labour productivity, to live up to the purchasing power of our people, to solve successfully the social problems we have set ourselves.

The second vicious circle concerns economizing on raw and prime materials and fuel. Were the comrades in charge of this problem to report here on what they are doing in this respect, we would all learn of the numerous steps and elaborations that have already been undertaken. And in this case I am not being ironical. These comrades are in fact making an effort, but their projects and views are outdated. Providing that our country is very poor in raw materials, fuel and energy resources and we spend the most, we shall not be able to break through that vicious circle if we rely on such projects. What we need is a completely new approach, especially where liquid fuel is concerned. The task we face now is to economize on each drop of fuel. As for people unable to economize and to create the proper atmosphere for this, we shall have to ask them to look for another job, no matter what their worth may be.

Last summer, while resting in Borovets, I passed by a bulldozer in the field. The engine was working, but the driver was nowhere to be seen. I asked one of the comrades accompanying me to stay there and see for how long the engine would run idle. The engine ran like that for three hours. When they asked the driver about the reason for this, he answered: "I started the engine, but the boss did not come and tell me what to do today. I went to look for him and when I found him we chatted for a while". And so they chatted for three hours! And the engine ran idle all the time! I'd think nothing of it if it were the only case. Unfortunately, raw and prime materials and fuel are wasted almost everywhere.

You may object, saying: "Comrade Zhivkov, you are oversimplifying things." No, comrades, we should pool our efforts in an all-out drive for economizing. Both you and I know perfectly well that the sparing use of raw materials begins in the design offices, with the very designs of the machines and

equipment, that it involves the whole production process. This is a major problem and we have to resolve it in a new way, to adopt a new approach, so as to break through the vicious circle we have been turning in for so many years.

The third vicious circle concerns the dissipation and the ineffective use of manpower. We are now beginning to introduce the automated systems in production. But, as we well know, it is not going to be so everywhere, especially during the current five-year plan. Manpower must not be dissipated. We are increasingly becoming short of manpower. During the current five-year plan we are going to develop a number of additional productions and what matters most, we should make a genuine turnabout in the sphere of the services. This will require fresh manpower.

Why is manpower being dissipated in this country? Why is it not reasonably used? Because it is cheap. The machines are expensive, the equipment is expensive while manpower is cheap. Who would be that foolish not to take advantage?

Why is manpower cheap in this country? Because the real incomes of each worker, as I have already pointed out, are formed on the account of both the labour remuneration according to the quantity and quality of labour and the social funds – for holidays, the health services, family allowances, etc. Thus the real salary depends upon two factors: the first – labour, and the second – the social funds. In actual fact, manpower is cheap and for this reason in production, administration and the other social sectors there is no ambition to use it adequately. Is it possible nowadays to tolerate and not condemn the dissipation of the most precious of productive forces – man? I think we should seriously weigh things and decide what should be done so as to resolve this problem with economic

measures, as soon as possible. It should be resolved in such a way so that each manager will know exactly what to do when the problem about the use of manpower is raised at his enterprise or department.

The fourth vicious circle is the realization of scientific achievements. A lot has been said on the matter, comrades, but the vicious circle is still there. Why is that so? It is because there exists a 'no-man's-land' between the scientific elaborations, the things created at the scientific research institutes, the design and technology bureaux and their implementation. This 'no-man's-land' is there because there is no economic mechanism for the introduction of scientific achievements in material production and in the other spheres as well. There isn't such a thing and that's that! You may argue: there is agreement, coordination, etc. Yes, there are things like that, but there is no genuine mechanism which will represent and protect the social interests when a certain scientific innovation is to be introduced. There isn't a system, covering the entire cycle of introduction -- from the signing of the agreement to the mastering of the new technology and the realization of production. There isn't a system which would bind payment with the final results of this activity.

Not long ago I visited Razgrad. The comrades there have set up an engineering organization which serves the new type of team organization of the crop-rotation of basic cereals. They have established contacts with some research institutes at home and abroad and are working hard. This organization is paid half of what is produced over and above the plan. They get paid for nothing else but the 'intellect', the 'grey matter' which is used for raising production. This is the way we should follow. However, I keep asking myself: why did they have to create such an organization in Razgrad, where there is neither a scientific basis nor specialists. Wouldn't it have been better to set it up where there was already a scientific basis?

Let us have another example -- the question about the use of solar energy. For many years now it has been the subject of many discussions and scientific papers. I myself have had at least 50 meetings on the subject. Finally, the organization was founded by a group of enthusiastic people. They are a self-supporting organization. But now what a misfortune! There is no one to include their elaborations in the plan. And this is so at a time when those who continue to apply the traditional methods of heating offer more expensive designs. It is about time we gave the new organization a chance to develop. Apart from that, so far as I know, not a single representative of this organization has ever attended international meetings or symposia on these problems. Probably those who are being sent to such conferences are some 'brilliant' people and they are probably working on the problems of solar energy in the year 2000 and after. We bow our heads to them. Their studies will probably be very useful in those years to come. But why not send those people who are working on the solution of these problems today, as well?

I suppose this is so in many other spheres. In the meantime, life will not wait. It is marching forward. There is, for example, in Plovdiv, an organization, similar to the one in Razgrad, which is preparing production and organization technologies for vegetable and fruit production at home and abroad. It is also going to be a self-supporting organization, receiving 50 per cent of the production that it guarantees as an additional output. What it has got to do now is step up its activities and spread its experience throughout the country.

Are there really any serious obstacles which do not allow to do the same in the field of machine-building where there are



systems for the automation of continuous and discrete processes. Is it not impossible to set up these powerful organizations which will implement innovations and live with what they will get for the attained results. We must admit that what we are doing now and the way we are doing it is heart-breaking and in many cases even tiresome.

In the fifth place I have in mind the vicious circles in agriculture.

The first one concerns the freaks of nature. Every year we blame the adverse weather conditions. It is either draught or a hailstorm, the early or late frosts, etc. Adverse weather conditions have existed ever since humans came into being and their evolution started. They have existed in bourgeois Bulgaria, they still exist today in socialist Bulgaria. There will be adverse weather conditions under communism as well, although people will probably find out ways to control them.

Adverse weather conditions cannot always be blamed for failing to supply the population and country's balance with the necessary farm products, especially now when selection and modern technologies are at hand.

What does experience show? It appears that maize could be planted as early as March. Under all conditions its yields are average if not high. And this holds true for all spring crops except beans.

Let us take, for example, the newly created technology for the simultaneous planting of two crops where the second one which takes longer to develop its root system is planted along with the other. The second one starts growing immediately after the harvesting of the first.

Therefore, we have to look for new means and reserves to increase agricultural output and stop blaming the weather. It cannot be an objective factor checking our forward development.

The other vicious circle in agriculture is the almost deep-seated conviction that we cannot raise more than one crop per unit area. We still cannot rid ourselves of our grandfathers' old ideas that it was impossible to grow two different crops in one field. We went through the stage of the cooperative farms, created the agro-industrial complexes and yet we have failed to introduce the raising of two crops from the areas which have not been planted to orchards or vineyards. It is not a question of the irrigated areas alone. We should get two crops from all areas. This should be a law. Up-to-date selection makes this possible.

Not long ago I had a meeting with the comrades from Bourgas and they confirmed that it was indeed possible to get two crops under the conditions existing there. In the district of Plovdiv they get two crops from an area of 50,000 ha and on the personal farms — 4 crops. It is true that personal farms are much smaller. Nevertheless, the difference is quite obvious. Now, how is that? It appears that the personal farms can get 4 crops while the large-scale socialist farms cannot get even two?!

Again I want to stress emphatically that one of the strategic tasks of agriculture at present is to get two crops from all cultivated areas. The efforts of scientists and practical workers, of managers and executives, of all farmers should be geared for the fulfilment of this task.

The other vicious circle in agriculture is the utilization of the irrigation systems. Funds for the building of new irrigation systems are requested every single year. It has been estimated that Bulgaria now has irrigation systems for 1,200,000 ha. And do you know how much water we use? For just 400,000 ha. Many of the irrigation systems are worn out, there is no proper maintenance. And no one is held responsible, while the people have

been providing the money and labour for their construction.

Besides, there are many for whom it is of no importance what yields are being obtained from the irrigated areas. Now is the time to realize that if we are not getting 10,000 kg of maize per hectare of irrigated land then this is impractical and we should decide what to do next. I take maize as an example but that is true of all other crops. By the end of the current five-year plan we should increase the irrigated areas to 1,000,000 hectares.

The next vicious circle in the field of agriculture is stockbreeding. Comrades, we correctly raised the question of getting 10-11 million tons of grain a year. We can state that this problem has already been solved. The average annual per capita output of grain is 1,000 kg which is quite sufficient to feed the nation and develop stockbreeding.

Where is then the vicious circle? It is in the impractical use of grain, in the wrong manner of feeding the animals. The way grain is squandered in this country is unprecedented in any other advanced country. For years on end we have been repeating the same things. For many years now, we have been trying to prove that the components of the feed mixtures for the farm animals should be selected in such a way so as to make the most of the concentrated fodder and not squander it.

Let us take the milk yields, for example. I was recently informed that at the Department on Cattlebreeding they sometimes get bonuses. I wonder what they are getting them for, since the average yield per dairy cow is under 3,000 litres. In Bulgaria, where there is not enough land, we must get at least 4,000 litres per dairy cow. If a cow fails to give 4,000 litres a year then it is ready for slaughter. Please get this right. I am not saying that this should be done right away because we will have to slaughter a large number of cows. Provided we have all these modern

breeds, it is inadmissible to get less than 4,000 litres per dairy cow.

These are the vicious circles in agriculture that we have to tear apart. There probably are some others but I am talking now only about the most important.

**The sixth vicious circle is the education of our youth.**

Here again I would like you to get me right. We educate our young people correctly, we have scored great successes in this respect. We are reasonably proud of our youth.

Where is then the vicious circle?

The vicious circle in this case has two aspects. To begin with, from the first grade to the last year of university we teach young people one thing and when they leave to face life they come across something else. We are not telling them the whole truth about our life, about its inevitable difficulties, about the complicated problems generated by the present level of the material and technical basis and the state of social consciousness, and even the existing misdeeds. This is extremely harmful for our entire educational work. We must be frank with the young at school, at the university and when they get actively involved in social labour. Because they should know that in our society there is major justice but there is 'minor justice' as well.

The second aspect of the problem which I raise is connected with the 'minor justice' in particular. Would it be enough if our youth knows that this justice exists, that in many cases it is inevitable? No, this would not be enough. We should educate our youth in such a way so that it will not reconcile with it and will fight actively against this 'minor justice'. Our common task is to lead a struggle against it. If this 'minor justice' keeps growing instead of decreasing our educational efforts will not have any great effect. Here is a prob-

lem of exceptional importance which determines to the greatest extent the more realistic and active nature of our educational work among the young.

*Comrades,*

I do not intend to examine all the problems and tasks that our Party faces now. However, in conclusion, I would like to specially stress the formulation of the Twelfth Congress that the role of the Communist Party as a leading and guiding force is growing enormously under the present conditions of the further building of the developed socialist society. Everything that is yet to be solved and accomplished – the problems of the material and technical base and of the new economic approach, the problems of the social policy and of the development of socialist democracy – everything is organically linked with the sweeping organizational and political work of the Party, with the active position and personal contribution of each communist. The activities of the local party organizations are now acquiring an especially great significance. The basic idea which runs through all the decisions and formulations of the Twelfth Congress is the care for man, the attention to be devoted to his problems, the protection of the rights and responsibilities of the ordinary people, of the millions of working people in this country. And it is the local party organization which is closest to the millions of people. In the drive for the further construction of developed socialism the Bulgarian Communist Party relies firmly on them, on the militant local party organizations.

Filled with optimism, prompted by our successes, by the confidence and cohesion of our people round the Leninist April policy of the Party and the guidelines of its Twelfth Congress, we have at hand real conditions and abilities to carry out serious activities on a large scale for the profound rationalization, elaboration and overall realization of the tasks we face.

The guarantee for the successful and comprehensive realization of the decisions of the Twelfth Congress of the Bulgarian Communist Party lies in the unity and cohesion of all communists round the general April policy of the Party, in our joint work with the Bulgarian Agrarian Party, with the Fatherland Front, the trade unions, the Komsomol and the other public organizations, in our ability to mobilize all factors of our development, to rely on the creativity and initiative of the working people.

Thank you. (Prolonged applause)

## FINANCIAL ACHIEVEMENTS OF AGRICULTURE SUMMARIZED

Budapest FIGYELO in Hungarian 14 Apr 82 p 1

[Text] Last September, on the basis of tax returns of farms for the first three-quarters of the year it was expected that the increased income from industry connected with agriculture would thereby offset the income deficiency from crop raising which has suffered a considerable loss. However, the final analysis of balances shows more favorable results: the profit of state farms was 4.9 billion forints and that of agricultural cooperatives 19.6 billion forints. In comparison with the 1980 profit of 20.4 billion forints they had an excess profit of 24.5 billions. The financial deficit also dropped significantly. This was "only" 900 million forints, 62 percent of the previous year's deficit.

## Profitability Has Improved

With reorganization of financial resources half of the farms regulated their losses, or their lack of funds. The 500 - 600 million financial deficit of 66 cooperatives and 1 state controlled cooperative had to be covered from budgetary sources. Sixty-five percent of these deficits were the result of damages caused by repeated inland waters in Borsod, Szabolcs, Hajdu, Szolnok, Bekes and Csongrad counties. These losses cannot be prevented until the water regulation and amelioration works of these regions are completed. As a whole, in 1981 the totality of large agricultural enterprises was able to counter-balance the negative effects of changes in price and regulators, the additional expenses due to increased energy costs imposed by the authorities during the year and which were not compensated by any budgetary assistance, and also the increase of prices on the free market for industrial packaging material and spare parts. All this happened in a year when agriculture suffered a serious shortage in crop yield. The increase in profit does not originate from additional assistance, since without the investment supports--immediate and mediated--the budgetary aid in the amount of 21 billion forints was smaller by about half a billion than in 1980.

Together with the current 10 percent increase of baseline operation--out of which 6.5 percent corresponds to the increased price levels--profitability of production also increased. This is connected with a more moderate increase of direct cost as compared to production or current income; organization of labor and guidance were better, in animal husbandry, specific fodder use, improved and conservation policy brought results. True, in this latter case favorable dry weather during the harvest helped a great deal. Thus, specific expenses

for harvesting, drying and farming were much lower than in previous years. For example, the average water content of harvested corn was 20 percent in 1981. It was half as much as in the previous year.

Of course, the farms took advantage of governmental supports given for energy conservation purposes. A silo was built with storage capacity of 650,000 tons of fresh corn which resulted in the saving of 20,000 tons of oil. But, so far only 10 percent of the farms used these possibilities, despite the fact that for any energy saving investment they can obtain government assistance, by competition, for 20 - 40 percent of the investment, or they can obtain a loan from the government.

In 1981, export of food products increased by 9.4 percent. Better prices were achieved for the "live" animal husbandry products than in 1980. The value of food export calculated in dollars exceeded 1.5 billion. Due to higher export prices as compared to previous years, the processing industry--meat, poultry etc.--fed back a significant part of the price profit, 700 to 800 million forints, to large farms producing raw material. (This year's outlook for similar price increase and feedbacks is, unfortunately, not promising.)

Production outside the basic line according to current prices increased by 28 percent, and in 1981 its ratio reached 32 percent as contrasted by the previous year's 29 percent. The balance sheet does not separate the proceeds from this activity as yet, but it seems probable that last year, activity outside the baseline production brought a profit of 1.5 to 2 billion forints.

#### Incentive Funds

Plus profits increased the incentive funds of large farms and of state budget income by an almost half and half ratio. On the whole, it created a very favorable financial basis for farming in 1982, although its distribution is probably not so favorable. The larger proportion of plus profit was produced by farms already having a high income level.

The majority of the farms can pretty well counterbalance the effects of climate and production fluctuation with their obligatory basic reserve fund of 6.5 billion forints and the 4 billion forint security fund, which was increased by 900 million forints.

From the mandatory reserve fund one can fill the incentive funds up to the level of the previous year's taxed profit as well as the development funds, from which the increase in working capital can also be covered.

#### More employed

The income level of workers in large agricultural plants has increased by 7.8 percent which is above the planned value. Within this amount 7.4 percent represents an increase in salary. In 1981 the volume of wages was 10.4 percent higher than in 1980, the number of employed people was 2.9 percent higher, i.e. 20,000 people more than in 1980.



The number has increased in the industrial and service plants. The larger part of increased income is due to the higher salary level and pay increases of these newly hired workers. Also, the agricultural plants performed more farmwork than usual because of the fall weather of 1980, 1981, and this was charged against last year's salary budget. A part of the plants paid the tax-free wages even though the achievements didn't justify it and their gross income didn't cover it. This contributed to the increase in salary levels above the planned one.

The large plants paid their taxes on wages on the basis of a 1.5 percent increase in salary levels. The regulation, according to which the end of the year profit sharing was dependent on the amount of per capita gain, was strong motivation. As a result the farms were able to distribute 500 million forints more in "profit sharing" and they were also able to save a part of taxes they must pay for taxable wages.

The investments of large agricultural enterprises reached 26.8 billion forints, 13 percent more than the preceding year. They did not build new animal husbandry facilities, but on the existing ones they started to build quarters for 27,000 cows and 97,000 pigs. Investments into machinery exceeded that of 1980 by 800 million forints.

Capital appreciation yielded about 10 percent higher return on investment, and capital gain had increased by 9.2 billion forints thanks to higher profit. This is 600 million more than last year. In addition with the loan which is at their disposal, and government assistance, the large agricultural plants should be able to reach last year's investment level this year.

The financial situation and financial management of large farms improved last year as a whole and this gives a sound basis for this year's farming.

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CSO 7500/226

STIFFER FINANCING FOR AGRICULTURAL EXPORT PROJECTS NOTED

Budapest FIGYELO in Hungarian 14 Apr 82 p 7

[Text] Ferenc Dull, head of the Main Department of Agriculture and Food Industry of the Ministry of Foreign Trade gave a report about the conditions and potential of agricultural and food export which is summarized below.

In 1981 more than 26 percent of exported goods were agricultural and food products. The ratio for shipments with rubel accounts was almost 16 percent and for nonrubel accounts more than 35 percent. Compared to 1980 agricultural and food exports increased by more than 14 percent in the rubel account, and by more than 17 percent in the nonrubel account. In 1981 the total of the non-rubel account exports increased by more than 10 billion forints. Seventy-five percent of that was achieved by the increased export of agricultural and food products.

Last year's achievements were influenced by variations of the exchange rates as well. The value of the dollar has increased as compared to the currencies of other Western European countries. The forint dropped against the dollar, but increased in value with regard to the other currencies. Therefore, exporters selling in dollars last year had a greater income in forints.

In 1982, the planned agricultural and food shipments correspond approximately to last year's level in the rubel account, while the nonrubel account according to plans is increasing by 1.5 percent. This is influenced by last year's smaller yield in grain crop, and also by the fact that nonrubel account agricultural and food export had increased by 17 percent in 1981 as compared to 1980.

Also, one has to take into consideration the ever-increasing restrictions of the Common Market. In order to keep a position on the market it is of fundamental importance to choose economical products that suit the demand of the market better and to open up new markets. In more detail: in order to accomplish the planned export task it is necessary to increase the export of special products like grain, hogs, beef, wine and crude vegetable oil. Moreover, there is also a need for such "small goods" such as grain, breeding animals, rabbits, pigeons, feathers, and honey, which sell readily.

The foreign trade position of agriculture and food products is influenced not only by opportunities in the foreign market, but also by changes in the regulations. Conditions of investment have become more rigorous. In 1981, and

this year as well interest rates on credits increased by 1 percent. The interest on long-term investment loans has already reached 11 percent in 1982 and the higher interest rate has a retroactive validity for earlier credit contracts as well. If the conditions are satisfied one can get a refund of 33 percent of the interest in case of the convertible and export generating credit, and 25 percent refund for import-requiring investments.

However, this is only stimulation, not mitigation. Until now development costs were expected to be realized from foreign exchange returns in 3 years, and in 5 years in case of investments connected with meat production, not including the first 3 years of implementation. Current rules prescribe 4 years for realization of returns--with exception of meat production, where this continues to be 5 years, but implementation time for investments is included.

It is advisable to form a relationship system between producers and export firms which takes into consideration the specificities of goods and the market. In the past years associations for foreign trade based on common interest and risk became prevalent. Eight of them are associations that export agricultural products and food (products dehydrated by hot air, wine, flowers, honey, rabbits, fish and fowl), and animal products in the form of pools.

The parallel export right refers primarily to horticultural products. Forty farms have independent export permits.

The possibility for direct foreign trade of the farms is influenced decisively by the fact that a large proportion of products can be sold only within the existing marketing system prescribed by the authorities. (For example for corn and livestock, not only the procurement price, but also the amount that can be exported is centrally controlled. Fresh vegetables, fruit, seed, dehydrated products, slaughter lamb, fish, etc. are uncontrolled items. The majority of these products can be sold only in a processed form, and therefore the farms cannot export them individually, i.e., as an association. And if the farms don't have processing capacity, instead of exporting they have to sell their products either to the buying, or processing enterprise.

Products foreseen for free marketing are thus forced on a course which as far as export conditions are concerned put them into almost the same situation as controlled products. This can be changed only if the cooperatives increase their own processing capacity.

The previously mentioned suggested, or regulated prices applied by the buyer are in most cases determined by the authorities. They are sufficient to stimulate quantitative and qualitative production, regardless where the goods are sold, at home or abroad.

At the present time 300 cooperatives are exposed directly, with one or several of their products, to the qualitative and other requirements of the foreign market.

It is considered that this number should be increased in the interest of a greater and more profitable export. This should be achieved by expanding the direct relations between foreign trade enterprises and producers.

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CSO: 2500/226



## SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 24 May 82 p 7

[Text] Announcement of Exchange Rates Table No 21/82, effective 24 May 1982, by Stanislaw Majewski, president, Polish National Bank, on 24 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6, 1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,767.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 21/82

| Country       | Curr<br>Symb | Currency         | Foreign Exchange |        | Money    |        | Average |
|---------------|--------------|------------------|------------------|--------|----------|--------|---------|
|               |              |                  | Purchase         | Sales  | Purchase | Sales  |         |
|               |              |                  | 3                | 5      | 1        | 2      |         |
| Saudi Arabia  | 771          | 1 rial***        | 24.13            | 24.37  | --       | --     | 24.25   |
| Australia     | 781          | 1 Austral.dollar | 87.45            | 88.33  | 86.13    | 89.65  | 87.89   |
| Austria       | 786          | 100 schillings   | 506.95           | 512.05 | 499.31   | 519.69 | 509.50  |
| Belgium       | 791          | 100 francs       | 189.12           | 191.02 | 186.27   | 193.87 | 190.07  |
| Denmark       | 792          | 1 kroner         | 10.51            | 10.61  | 10.35    | 10.77  | 10.56   |
| Finland       | 780          | 1 markka         | 18.32            | 18.50  | 18.04    | 18.78  | 18.41   |
| France        | 793          | 1 franc          | 13.71            | 13.85  | 13.50    | 14.06  | 13.78   |
| Greece        | 724          | 100 drachmas     | 133.09           | 134.43 | 115.35   | 136.44 | 133.76  |
| Spain         | 785          | 100 pesetas      | 80.34            | 81.14  | 79.13    | 82.35  | 80.74   |
| Holland       | 794          | 1 florin         | 32.12            | 32.44  | 31.63    | 32.93  | 32.28   |
| India         | 543          | 100 rupees***    | 892.09           | 901.05 | --       | --     | 896.57  |
| Ireland       | 782          | 1 pound***       | 123.51           | 124.75 | --       | --     | 124.13  |
| Japan         | 784          | 100 yen          | 34.83            | 35.19  | 34.31    | 35.71  | 35.01   |
| Yugoslavia    | 718          | 100 dinars       | 179.97           | 181.77 | 155.98   | 184.49 | 180.87  |
| Canada        | 788          | 1 Canad.dollar   | 66.79            | 67.47  | 65.79    | 68.47  | 67.13   |
| Kuwait        | 770          | 1 dinar***       | 289.36           | 292.26 | --       | --     | 290.81  |
| Lebanon       | 752          | 1 pound          | 16.75            | 16.91  | 16.49    | 17.17  | 16.83   |
| Libya         | 651          | 1 dinar***       | 279.59           | 282.39 | --       | --     | 280.99  |
| Luxembourg    | 790          | 100 francs       | 189.12           | 191.02 | 186.27   | 193.87 | 190.07  |
| Norway        | 796          | 1 kroner         | 13.82            | 13.96  | 13.61    | 14.17  | 13.89   |
| Portugal      | 779          | 100 escudos      | 118.77           | 119.97 | 102.94   | 121.76 | 119.37  |
| FRG           | 795          | 1 mark           | 35.71            | 36.07  | 35.17    | 36.61  | 35.89   |
| United States | 787          | 1 dollar*        | 82.78            | 83.62  | 81.54    | 84.86  | 83.20   |
| Switzerland   | 797          | 1 franc          | 42.04            | 42.46  | 41.40    | 43.10  | 42.25   |
| Sweden        | 798          | 1 kroner         | 14.28            | 14.42  | 14.06    | 14.64  | 14.35   |
| Turkey        | 627          | 100 pounds       | 55.61            | 56.17  | 48.20    | 57.01  | 55.89   |
| Great Britain | 789          | 1 pound**        | 149.41           | 150.91 | 147.16   | 153.16 | 150.16  |
| Italy         | 799          | 100 lira         | 6.43             | 6.49   | 5.57     | 6.59   | 6.46    |

\*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

\*\*Valid also in clearing accounts with the following countries: Nepal and Pakistan.

\*\*\*The Polish National Bank does not purchase money in these currencies.

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## 'INEQUITIES' SEEN IN INTERNATIONAL ECONOMIC RELATIONS

Bucharest ERA SOCIALISTA in Romanian No 3, 5 Feb 82 pp 33-35

[Article by Eugen Dijmarescu: "Flagrant Injustices in International Economic Relations"]

[Text] The current international situation is marked by difficult circumstances with bad effects upon economic relations among states. The world economy is still in an acute crisis both in energy and raw materials and in trade relations and international payments, a crisis aggravated by the phenomena of recession in the western world. In the capitalist economy the 1981 results were worse than those in the preceding year. Western Europe's gross national product dropped absolutely, and that of the United States stagnated on the 1980 level. This is the natural result of the restrictive economic policies in most of the capitalist countries and of the unprecedented rise in the cost of credit as the interest rate reached levels up to 20-24 percent, first in the United States and then in the other states. The final or temporary shut-down of many production capacities and the absence or inefficiency of measures to employ the labor force increased the number of unemployed in the western countries to 26 million at the end of 1981, with prospects of a further increase in their number. The western war of interest rates and the growing international political dissension, accompanied by a new increase in outlays on armaments, caused extensive disturbances on the international foreign exchange markets culminating in a major gain in the rate of exchange of the American dollar that raised the cost of imports. The reduced access of exports to the western markets due to extensive protectionist measures and the absolute decrease in the volume of those countries' imports were aggravating factors. This not only increased the disagreements among the western countries but also aggravated the state of the balances of payments and foreign debts of the developing countries, which saw a great part of the burden of the western crisis thrust upon their shoulders again. The world economy's immediate prospects are not encouraging. Most of the forecasts made in the main developed capitalist countries depict 1982 as an uncertain and contradictory year. The western governments tend not to commit themselves to long-term policies, while the big transnational corporations have adopted a waiting policy in decisions to make new investments or form contracts. The new setback after September 1981 indicates prolongation of the recession into the first half of this year in the American economy and in the West European economies as well. All these phenomena indicate continuation of conditions unfavorable to the normal conduct of international trade relations and aggravating the injustices among countries with different levels of development. For the national economies of states other than the

western ones, the anachronistic nature of international relations in the world economic cycles constitutes a brake on better use of their productive potentials through foreign trade.

International trade has never been characterized, and much less so at present, by the principles of justice, equality and mutual benefit but rather by a **flagrant inequity** between the partners in the developed countries and those in the developing ones, so that actually the net benefits of the international exchanges are unilaterally acquired by the developed countries. The inequity appears in both the imports and exports of the developing countries and is generally reflected in the high prices they pay for imports and their meager returns from their exports.

As we know the fundamental principle of GATT (the most favored nation clause, which stipulates unconditional extension to all contracting parties of the advantages that one country grants another country) could not always guarantee the underdeveloped countries equitable advantages from international trade.

Under political pressure from the developing countries, in 1971 the developed countries had to accept a partial departure from this principle in their trade relations with the developing countries by granting the generalized customs preferences, which are based on the principle of nonreciprocity or in other words on the principle of vertical equity, that is unequal treatment between unequals. This means that the underdeveloped or developing countries are not obligated in their turn to grant the facilities that they enjoy within the developed countries' system of generalized customs preferences. It is clear that in case of complete reciprocity the developing countries' economies would suffer from inequality of economic power and the competition the intensively developed countries would give them in various ways. But it was not until 1979 that the system of customs preferences was recognized as having the same validity as the most favored nation clause, when the principle of nonreciprocity was adopted in the multilateral trade negotiations (the "Tokyo Round" of negotiations). But even this concession accepted by the developed countries was immediately qualified by the introduction, in 1981, of "gradualization," that is by granting the customs preferences according to the developing countries' levels of development and competitive power. It is obvious that the introduction of gradualization merely concealed an unprecedented protectionism and a disguised way of abandoning the principle of nondiscrimination, just as the developed countries multiplied the nontariff barriers, making protectionism even more acute, along with the process of reducing the customs duties on imports. This false liberalization of foreign trade perpetuates the inequity between the developed and developing countries in new ways.

The fact must be mentioned here that the results of the trade negotiations in the final round of GATT are actually not the fruit of any multilateral negotiations. Accepted within the so-called golden triangle (the United States, the Common Market and Japan), the results were practically forced upon the developing countries and represent their interests only to a small extent. For instance, a number of products important to the respective countries' export trade were excluded from the negotiations at the very start by the great powers.

Even when the "Tokyo Round" concentrated, for the first time in GATT, on the nontariff obstacles to international trade (amplified whenever the western economy showed signs of a crisis) the developed countries promoted new forms of discrimination and protectionism, removed from the jurisdiction of multilateral control and characterized by the policy of "impoverishing the neighbor." This is the so-called gray areas

of international trade appeared, especially agreements for "voluntary limitation" of exports and arrangements for "ordering" the market in important fields such as iron and steel products, automobiles, synthetic fibers, petrochemical products, etc, intended to restrict access to the developed countries' markets. In order to protect the inefficient sectors in the western economy, the new kind of protectionism (introduced by those who once supported liberalism) enables the developed countries to obtain additional advantages from the poor ones by blocking or delaying the necessary structural economic adjustments.

Generally speaking the inequity in the trade relations between the developed and developing countries is apparent from the results of the latter's trade exchanges. Taking for example the developing countries' trade in processed industrial products, we find that the developed countries' surplus increased from \$25 billion in 1973 to \$69 billion in 1979, the gain being largely due to the accelerated increase in the value of the developed countries' exports, which in turn reflects the higher prices in dollars of some major suppliers' (the FRG, Japan and Switzerland) exports, while the value of the exports of the main developing exporters was affected by the stability or depreciation of their currencies. According to the figures published by the United Nations, the exchange ratio of the developing countries, in volume and constant prices, deteriorated by about 2 percent in the 1975-1980 period and has prospects of deteriorating again to the same extent by the end of this decade. The deterioration of the developing countries' position in international trade is also evidenced by the decline of their share in world exports from 14.5 percent in 1968 to 12.5 percent in 1979 and that of their share in world imports from 18 percent in 1968 to 16 percent in 1979.

In view of the predominance of the basic products in the developing countries' exports, the deterioration of their position in international trade cannot be dissociated from the anachronistic, unfair practices of the developed countries, which actually dominate the marketing of those products.

Unequal distribution of commercial power on a market between the mass of producers and the chief consumers is one of the essential factors preventing the developing countries from gaining lucrative advantages from the export trade. In the absence of any international regulations (such as international agreements between producers and consumers, for example), the world supply of most basic products is not managed by the producers in the developing countries but by the western marketing companies. The developing countries are practically excluded from the possibility of benefiting by favorable conditions in international prices because they are faced with chronic shortages in their balances of trade and payments and have to sell their products in direct proportion to their need of foreign exchange at any given point and when they have no facilities for stockpiling or any international marketing network. On the other hand a relatively small number of buyers, represented by the developed countries and enjoying a strong financial position, can postpone buying in expectation of further declines in prices, which ultimately means an even more pronounced deterioration of the developing countries' incomes from exports.

Another factor that places the developing countries in a subordinate position is the domination of the sectors of production, marketing and international distribution by a few monopolies, vertically integrated companies that actually enable a handful of enterprises to control or decisively direct the marketing, distribution and prices of a large number of products handled in international trade.



A report compiled by UNCTAD points out that in the United States, which is the most important market for the developing countries' basic products, a great part of the imports of those products are actually transfers within a transnational company between the "mother company" and its branches abroad. It is apparent that in the case of the vertically integrated companies, like those dealing in bananas, tobacco, bauxite, sugar, tea, rubber etc., there is practically no correlation between the price they pay the producers in the developing countries and the selling price of the finished product to the consumer, and the developing countries' incomes are only a few percentage points of the final price.

For many basic products (including food products, nonferrous metals or rubber), the developing countries do not even have access to the system for setting the international prices. By their operating system the commodity exchanges, which are concentrated in North America and Western Europe, include only the important dealers, brokers and manufacturers and exclude the very exporters whose goods are handled. This is illustrated by the fact that on the cotton exchange in New York the prices are determined by 15 transnational companies controlling 90 percent of the international trade in cotton. Controlling most of the contracts with due dates during the months of delivery, these companies manipulate the price solely in their own interest. The conclusion is that the developing countries, which have no direct contact with the exchange, must actually accept the prices for their products that are set by the West.

Study of the price-setting mechanisms at each of the links in the marketing chain from producer to consumer indicates that the developing countries receive only 6-25 percent of the retail price on the western markets. The inequity is even more conspicuous from the fact that the difference between the international prices of the basic products and the unit value of the developing countries' exports has not ceased to increase, while in the same period the unit value of the exports of basic products from the developed countries was identical with the international prices and higher than that of the developing countries' exports.

We are faced with a problem with serious implications in the long run, because the rise in international prices does not necessarily mean a corresponding increase in the developing countries' incomes from export. And even if the unit value of the developing countries' exports follows the trend of international prices the fluctuations of the latter, determined by the demand in the developed countries, prevent any stabilizing of the exporting countries' incomes in foreign exchange.

Throughout the last decade the purchasing power of the developing countries' exports (except the petroleum exporting countries with surplus capital) increased by only \$121 billion compared with \$471 billion in the case of the developed countries. We note that the purchasing power of the exports of the least developed countries (those in the greatest need of additional resources for development) increased by only \$3 billion in those 10 years. The fact is significant that even this tiny gain in the purchasing power of their exports is not due to any real increase in prices but to a considerable increase in the volume of the developing countries' exports to compensate for the relative decline in their export prices.

In connection with exports of basic products (except for crude oil), we find that in the decade of 1970-1980, despite an almost identical increase in the volume of exports of the developed and developing countries, the purchasing power of exports increased by only 18 percent in the least developed countries, by 32 percent in the other

developing countries, and by 55 percent in the developed countries. This clearly indicates the inequity that characterizes the international trade exchanges today. The significance of these differences and the flagrant inequities between the developed and developing countries is even more apparent when we consider that the gain in the developed countries' purchasing power was mainly due to the considerably increased volume of their exports of agricultural products and the more stable evolution of the international prices for them, while the least developed countries' exports of industrial raw materials more than doubled but could not do the same thing for them. The fact cannot be dissociated from an anachronistic situation, where the developed countries control to an equal extent the world supply and demand for basic products, so that they obtain high prices for exports and low prices for imports.

Upon analyzing the inequitable international relations prevailing in developing countries' export price structure compared with the prices charged by the developed countries, as well as the long-range effects of those relations upon the national economies, we come to the general conclusion that the present system of international prices actually entails a unilateral transfer of resources from the developing to the developed countries. The remedy for this situation, characteristic of the present international economic order, is to reset the exchange ratio, which does not cease to deteriorate for the developing countries. But a mere increase in international prices cannot change the positions of the developing and developed countries in this respect. A change in the exchange ratio and an increase in the purchasing power of the developing countries' exports require a shift to new ratios between the prices of the large categories of goods and to international prices that are lucrative for all the states participating in the world economic cycle.

This is a particularly urgent necessity now that the developing countries, in order to honor their payments for imports, must resort more to credits at extremely high interest rates that only make them subtract higher percentages from their collections from exports in order to pay them. Justified concern about this is aroused by the measures the western authorities adopted at the end of last year to set, within OECD, higher coordinated levels of interest rates on export credits. We consider this action, which denotes the western developed countries' opposition to the developing countries' legitimate demands, to be typical. Such a measure can lead only to a new deterioration of relations between the developing and developed countries and a new deterioration of international relations with serious consequences for most of the states of the world, namely aggravation of the present economic gaps and perpetuation of unfair treatment in international economic relations.

The crisis situation confronting the world economy and the series of relations characterizing it have an adverse effect upon every national economy and compel every state to take further measures to limit their bad effects. As a country actively participating in the world economic cycle and procuring a large proportion of its requirement for raw materials and fuel on the international markets, Romania like most of the other states is faced with problems of promoting its exports and procuring its import requirement on advantageous terms. As Nicolae Ceausescu said in his speech at the Joint Plenum of the RCP Central Committee and the Supreme Council for Socioeconomic Development in November 1981, "Some difficulties arising in connection with the balance of payments are largely due to the crisis situation in the world economy. This year some foreign firms canceled their contracts or put off opening lines of credit, demanding postponement of fulfillment of the contracts. Secondly, these difficulties are caused by the very high interest rates, which even exceed the rates of repayment of the

credits." Under these circumstances, priority attention must be given to promoting exports in order to acquire the funds in foreign exchange needed to pay for the imports and to liquidate the foreign debt.

To accomplish these strategic aims, Romania is making an intensive effort on the international level to democratize relations among states in all respects, to eliminate the state of underdevelopment of most of the states of the world, and to establish equitable and mutually beneficial trade relations in the interest of every country and the world economy as a whole. All states must make sustained efforts to eliminate the present barriers in international trade, artificially created obstacles that can impede the normal and full course of all countries' trade. It is an objective necessity to do away with all inequities in international economic relations that burden the developing countries and restrain their efforts to overcome their economic condition and remedy their underdevelopment.

Romania considers it imperative to devise a long-term program to expedite the developing countries' socioeconomic progress on behalf of active and equitable collaboration among all states of the world which will also ensure the development and stability of the entire world economy.

5186

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# NEW AGRICULTURAL MEASURES BASED ON PRODUCER INCENTIVE

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[Article by Gheorghe Fierbinteanu, deputy minister of agriculture and the food industry: "Producers' Incentive Basic to Higher Agricultural Output"]

[Text] As the Draft Law on Remuneration for Work in CAP's [Agricultural Production Cooperatives] says, "Cooperative members and other workers in CAP's are to be compensated in direct correlation with the quantity and quality of the work performed, with the output and incomes produced, and with the results obtained in lowering production costs and increasing efficiency in all sections of the unit, in accordance with its development and economic potentials."

In the dialectics of the current development of the national economy, the RCP is specially emphasizing accelerated intensification and modernization of agriculture, because a highly productive and profitable agriculture is not only vital and indispensable to people's lives but also forms, along with the domestic raw material resources, the basis for industrial development and for the vigorous and all-around growth of the whole national economy. The effort is being made to better harmonize relations between industry and agriculture in keeping with the requirements for balanced development of the economic sectors and for transition to a new quality in all socio-economic activities.

The new system of remuneration for work in CAP's, which will be experimentally applied until the law is ratified by the Grand National Assembly, has a quite outstanding part to play in the improvement of Romanian agriculture. Meanwhile the state is concerned with improving relations between city and village so that the terms of purchase and sale will encourage the producers, serve socialist construction, and combine the individual, group or local interest with the general interests of Romanian society. That purpose is served by the new regulations on procurement of crop and livestock products under contract, which regulations, reinforced by those of last year updating and improving the correlation of production, contracting and purchase prices on economic principles, eliminate the former discrepancies between the production costs and the delivery prices for agricultural products while placing the exchange of products between city and village on a permanent and equitable basis. All this directly contributes to further consolidation of the worker-peasant alliance.

The Draft Law on Remuneration for Work in CAP's and the regulations on contracting for crop and livestock products serve not only the interests of the agricultural



producers but also the general interests of national economic development as a whole. Their most efficient application can considerably further the role of agriculture as a basic, primary sector on behalf of national progress and improvement of the entire people's welfare.

#### Nature of New Remuneration System in CAP's

The material incentive is one of the chief economic levers used by the RCP to construct a modern, highly productive and profitable agriculture and to radically change the development of agricultural production in the sense of its decisive orientation toward the intensive factors.

A modern, intensive and highly profitable agriculture with high yields of bread grains, meat, milk, vegetables and other agricultural products is impossible without the agricultural producers' direct and decisive contribution to performance of agricultural operations, application of modern technologies, and maintenance and efficient use of agricultural traditions on a scientific basis.

In view of the necessity of accomplishing the aims of the new agrarian revolution and of obtaining increasingly high yields, the new remuneration system reflects the principles of self-management and regional self-supply as well as those of socialist ethics and justice. It serves not only the producers' interests but also those of society as a whole, because increasingly high crop and livestock yields result both in an adequate increase in cooperative members' incomes and in better satisfaction of the public's consumer demands and other needs of the national economy.

On the general level of the evolution of Romania's economic development, the new remuneration system reflects the improvement in socialist production relations in agriculture. It regulates in a new spirit the general principles of the remuneration system and of the organization of production and labor in the CAP's and intercooperative economic associations, thus eliminating the defects of the old remuneration system because the new regulations make the rise in the living standard of the cooperative members working in the CAP's directly dependent upon the results of each one's labor. Therefore the cooperative members' incomes increase with the gains in agricultural production, public property, and development of the whole national economy. No cooperative member can be paid unless he performs useful work that will help to increase production and to fulfill all plan indicators. This does away with the bad situations fostered by the old system, which sometimes made it easy to obtain incomes without doing work that directly contributed to increased production or development of public property. The socialist principle of remuneration according to the quality, quantity and social importance of the work performed is now being effectively applied in the CAP's. Differentiated according to four categories of complexity and production sectors, the rates of pay according to the work norm will contribute to the cooperative members' incentive to increase agricultural production.

Speaking of these norms, a quite new factor is to be noted that will have far-reaching favorable effects: They are equivalent to the norms in use in the IAS's /State Agricultural Enterprises/, which norms provide for a 25 percent increase in the cooperative members' incomes. This means that by doing the same amounts of work and producing the same outputs the cooperative members can earn incomes equivalent to those of the workers in IAS's. The shares of the planned and above-plan profits made should also be taken into consideration in calculating cooperative members' incomes, and then each one and every family member he is supporting is allowed 150 kg of wheat if



he produces or exceeds the specified yields, and if he exceeds then he may also receive up to 100 kg of wheat for himself and 50 kg for every family member as extra pay out of the above-plan profit sharing fund. As for corn, each cooperative member receives 30 kg for himself and as much for each family member he is supporting, for food, and also up to 300 kg per cooperative member and 100 kg per family member for fodder needed for livestock. And if he exceeds the planned yield of corn he may be allowed up to 200 kg of corn as extra pay.

All these benefits and others conferred by the draft law are granted if the plan is fulfilled, the specified volume of work is done, and all the agricultural operations are performed properly and on time.

By bringing the remuneration system in cooperative agriculture, generally speaking, up to the level of the system in state agriculture we are laying the foundations for a uniform system of remuneration for work in this important sector of the national economy. This is very important for a generally more intensive use of social labor in agriculture to increase labor productivity. By correlating CAP members' incomes with increased crop and livestock production and greater economic effectiveness, the new remuneration system encourages them to introduce modern equipment and technologies on a wide scale in production and to organize production and labor according to the most efficient methods, while order and discipline become predominant in this respect. This is of primary importance when we consider that the consumption of live and materialized labor in cooperative agriculture per unit of output is still quite high.

According to the Draft Law on Remuneration for Work in CAP's, the remuneration of CAP members, the management personnel, and other workers in cooperative agriculture will directly depend on the quality and quantity of the work performed, on the output and incomes produced, on the results obtained in cutting the production costs and raising the effectiveness of the whole activity, and on the economic potentials of each CAP. The fact that 70 percent of the basic incomes depend upon the output produced and only 30 percent upon complexity and other factors encourages the CAP members to increase production and lower the costs per unit of output. The measures to raise wages in zootechnology, in order to attract and stabilize well-qualified workers in that sector, are of the greatest importance.

The wage scales according to work norms enable the new remuneration system as a whole to efficiently enforce the principles of the new economic-financial mechanism, those of economic self-administration and self-management. The high yields that also provide high incomes for CAP members are impossible unless every CAP from the president down to the last member militates constantly for rational management of the material and financial resources and for better organization of production and labor on the basis of modern methods, order and discipline. This makes for high profits as the actual conditions are created for self-financing of the entire activity.

Reflecting the principles of self-management and economic self-administration, the new remuneration system requires every CAP to keep its incomes and outlays balanced in planning and implementing all economic and financial activity, in such a way that its outlays will be covered out of its own incomes, profits will be made, and the development fund, the other prescribed funds, and the resources to pay the CAP members will be formed.

The regulations in the draft law concerning remuneration of management personnel are particularly important to improvement of CAP management. In the spirit of

socialist ethics and justice, a better ratio is provided between the CAP members' incomes and those of the administrators, according to their responsibilities and obligations. For example, a CAP president's base pay cannot be more than 2.5 times more than the average income of CAP members working directly in production. And what is highly important, the administrators' pay, beginning with the president, directly depends upon the members' incomes. They can earn more if the members earn more, which was not true of the former system. Previously, for example, since the president was not paid in proportion to the members' incomes he was interested in fulfilling as many norms as possible, because he was paid according to the total norms the members fulfilled, and most often the consumption of norms was not accompanied by a corresponding gain in production or economic effectiveness. But now that the administrators' pay depends upon the members' incomes they are directly interested in organizing production and labor as well as possible, providing the members with work by developing various supplementary activities, and creating all conditions for increasing production and consequently the members' incomes.

A quite original feature of the new remuneration system that will have very favorable effects is relevant here, namely that all personnel performing technical, economic, management and other specialized functions as well as administrative, service and guard ones are entitled to remuneration benefits only if they perform, in proportion to the complexity of the unit, agricultural operations amounting to 25-50 percent of the volume of work prescribed for CAP members working directly in production.

The new system of remuneration for work, reinforced by the increased prices for agricultural products, brings about an equitable ratio between incomes in other sectors and those in agriculture, although some difference must be retained because of the additional incomes and conditions in villages compared with the expenses of city dwellers. The essential point is that this suitable ratio between incomes in industry and the other sectors and those in agriculture encourages the effort, to increase agricultural production, to keep more youths in agriculture, and even to attract some back to the villages.

#### Correlation of Production Costs with Delivery Prices

The agricultural producers' material incentive to increase production is really viable when the exchange between city and village is accomplished at a stable balance of prices for industrial and agricultural products.

The RCP makes a constant effort to improve economic relations between city and village in order to increase agricultural production and to supply the public with agricultural food products. Major material and cash resources have been allocated annually to develop and modernize agriculture, while economic measures have also been taken to encourage the socialist agricultural enterprises and private farms to increase their yields per hectare and consequently the deliveries to the state reserve of agricultural products.

Agriculture's contribution to development of the national economy is particularly apparent in the formation of the central state reserve of agricultural products. Naturally the costs of agricultural products have changed over the years with the development and intensification of agricultural production and the interaction and interdependence of industry and agriculture. This is due partly to intensification of agriculture by mechanization, chemization, irrigation projects etc., which have increased the outlays, and partly to the higher prices for some industrial products

delivered to agriculture such as fuels, power, chemical fertilizers, tractors, agricultural machines etc. In the 1971-1980 period the prices of industrial products for agriculture went up about 7.2 billion lei, while production, contracting and purchase prices of agricultural products were increased by only 4 billion lei. Moreover the workers' wages were increased considerably in this period, increasing the outlays on agriculture and consequently the production costs. And so agriculture showed annual losses which were ultimately covered out of the state budget but created a financial imbalance between incomes and outlays during the year, so that the agricultural units were placed in the position of lacking the funds essential to efficient production.

The updating and improvement of contracting prices as of 1 January 1981 raised the agricultural producers' incomes by 9.6 million lei, but did not entirely cover the additional outlays for the higher prices of industrial products for agriculture. This made it impossible to apply the new economic-financial mechanism to every socialist agricultural enterprise because they could not entirely cover the outlays out of their own incomes.

The improvement of the price system by granting production premiums to the agricultural producers according to each one's contribution to the state reserve provides the socialist agricultural units and private farms with additional incomes of more than 15.8 billion lei this year throughout all agriculture. These additional incomes enable them to cover their production outlays, including those resulting from correlation and updating of prices and rates in all fields of material production and services as well as those for mechanized agricultural operations. This makes it possible to meet some basic requirements for the substantial growth of agricultural production, namely the agricultural producers' encouragement and incentive to produce as many products as possible with which they can obtain major cash incomes. This is a highly important matter with implications that are obvious when we consider that for the first time in the history of socialist Romanian agriculture conditions have been created for the agricultural producers' self-administration and equitable incomes.

The increase in contracting and purchase prices of crop and livestock products has and can only have direct effects upon production costs in the industrial processing units using raw materials from agriculture, because the industrial processing enterprises will buy sugar beets, sunflowers, wheat, corn, meat etc. from the producers at higher prices per ton and will consequently produce sugar, oil, flour etc. at higher production costs per ton.

This situation makes it necessary to correlate the production prices of marketed agricultural food products with the retail prices paid by the consumer, which is also a logical requirement for the harmonious development of all production sectors. Of course that involves setting the ratios between costs and prices on the basis of the most exacting economic analyses to determine both the strictly necessary production outlays and the rates of optimal net return.

#### Essential To Lower Production Costs

A permanent correlation on economic principles between prices and production costs does not exclude but on the contrary requires a reduction in costs as a basic necessity for increasing profitability and workers' incomes and for improving the exchange of activities between industry and agriculture.

An intensive and highly productive agriculture requires sustained efforts to develop the technical-material base, major investments in mechanization, chemization and land



improvement, and a constant effort to organize production and labor rationally and to apply modern scientific-technical advances to production. All this intensifies and modernizes agriculture but also increases the volume of material outlays made by the socialist agricultural enterprises for seeds, fodders, fertilizers, soil improvers, fuel, spare parts, electric and thermal power, and other products and materials essential to the production process. Moreover the volume of fixed assets, which was increased spectacularly by the investments in development of agriculture's technical-material base, affects the volume of the material outlays by way of amortization.

The increase in material outlays as an absolute quantity is a natural process caused by modernization and intensification of agriculture, since the extent of those outlays is of course naturally determined by mechanization, chemization, irrigation projects, development of zootechnology and the other programs that increase the consumption of raw materials and materials. Throughout this whole process it is essential for the growth rate of agricultural production to considerably exceed that of the material outlays, so that the latter's share in the value of the agricultural output will decline steadily from one period to the next. Only such an evolution of the material outlays permits enough profitability on the level of the socialist agricultural units and provides for a growing contribution from agriculture to the national income on the level of whole sectors, which contribution must be correlated with the efforts made by the entire economy on behalf of its development.

The overall figures on the proportion of the material outlays show that the outputs of both state and cooperative agriculture have increased annually but that their growth rates are not in keeping with the material and financial efforts to develop the technical and material base and the increased quantities of fertilizers, spare parts, fuels and other materials. The more pronounced growth rate of the outlays compared with that of the output increased the proportion of the material outlays, resulting in a relative reduction in the net output obtained. For example, in the IAS's in 1978 the share of the material outlays in the total value of the agricultural output came to 78 percent while it reached 79 percent in 1981.

If the tasks of agriculture as a whole are to be accomplished, as mechanization, chemization and irrigation are intensified and the livestock numbers and yields are increased, the additional output must be considerably greater than the material outlays made to achieve it.

Reduction of the material outlays in all agriculture, in IAS's and CAP's within the the various production sectors for crops and livestock species and categories, is a complex process and the measures it requires differ from one group to another. The effects of these outlays in agricultural production require a distinction between those for chemical fertilizers, irrigation and fodders, those for fuel, thermal and electric power, and various other materials, and even those for the mechanization process.

The savings in chemical fertilizers and the other chemical products that can lower the proportion of material outlays are to be understood not in the sense of reducing the quantities of chemical products applied (as is still often done) but in the sense of achieving the optimal ratio between the value of the chemical products used and the additional harvest obtained. To obtain the optimal ratio between fertilizers and the additional harvest, the dosages of chemical fertilizers must be based upon scientifically substantiated calculations allowing for the requirements of the soil, plant and variety, the moisture etc.

The proportion of the material outlays is higher in zootechnology, in both state and cooperative agriculture, so that reduction of the material outlays for all agriculture critically depends upon the measures taken in the animal husbandry sector.

In zootechnology, fodders are in the main proportion in the total material outlays. Accordingly Nicolae Ceausescu pointed out at the recent working conference of the RCP Central Committee that once fodder production is increased and differentiated, the standards of rational foddering of all livestock species must be applied. In this way an efficient ratio between production and material outlays can be achieved.

In foddering livestock, part of the feed is consumed as rations for biological maintenance and only the remainder is converted into livestock products. The role of the rational foddering standards is to establish a varietal structure through use of the existing resources at an equivalent quantitative level of energy and protein, so that the smallest possible portion will be used for the maintenance ration and the greatest possible one for production. Tests made in many agricultural units show that in the case of an average yield of 1,000-1,200 liters of milk obtained from a cow that consumes feed equivalent to about 2,000 UN [feed units] for such a yield, only 20 percent of the feed is used to produce the respective yield and 80 percent is necessary for the animal's physiological maintenance. Any additional feed is converted to milk, so that in the case of a yield of 3,600 liters of milk, where the maintenance ration remains the same, over half the feed consumed is used for production. Therefore the outlays of feed per liter of milk decrease because of the advantageous ratio between the rations for production and maintenance.

Stocking the farms with animals with a high productive potential, procuring fodders in the assortment required for a rational alimentation, their preparation before application to the livestock feed to enhance assimilation, obtaining fodders at a low operating cost, and eliminating waste and any other economically unjustified outlays from harvesting to foddering the livestock are factors directly affecting reduction of the foddering outlays and consequently the material outlays in agriculture.

The fields of mechanization, irrigation, use of thermal and electric power, transportation and storage of agricultural products contain pronounced reserves for improving economic effectiveness and establishing a better qualitative ratio between production and material outlays that will permit reducing the proportion of the latter for all agriculture, for socioeconomic sectors, for crops and for livestock species and categories.

Practical application of the measures to increase the agricultural producers' material incentive and to base agricultural prices on economic principles is essential to construction of a modern, highly productive agriculture capable of better satisfaction of the public and industrial consumer demands and a more effective contribution to national economic development as a whole.

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